

FINAL ANNUAL BUDGET OF

Knysna Municipality



Knysna

Municipality ♦ Munisipaliteit ♦ uMasipala
INCLUSIVE. INNOVATIVE. INSPIRED.

2018/19 TO 2020/21
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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- At www.knysna.gov.za

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Abbreviations and Acronyms

ACIP	Accelerated Community Infrastructure Programme
BSC	Budget Steering Committee
CAPEX	Capital Budget/Expenditure
CBD	Central Business District
CFO	Chief Financial Officer
CPI	Consumer Price Index
CSD	Central Supplier Database
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Plan
ICT	Information & Communication Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
mSCOA	Municipal Standard Chart of Accounts
MEC	Member of the Executive Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator of South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
NT	National Treasury
OHS	Occupational Health and Safety
OP	Operational Plan
OPEX	Operating Budget/Expenditure
OMAF	Knysna Municipal Advisory Forum
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment

PPP Public Private Partnership
PT Provincial Treasury
RG Restructuring Grant
SALGA South African Local Government Association
SDBIP Service Delivery & Budget Implementation Plan
SMME Small Micro and Medium Enterprises
WCPT Western Cape Provincial Treasury

Part 1 – Annual Budget

1.1 Executive Mayor's Report

ANNUAL STATE OF THE TOWN ADDRESS:

Inclusive...Innovative...Inspired!

By

**EXECUTIVE MAYOR, CLLR ELEANORE BOUW-SPIES
WEDNESDAY • 06 June 2018**

Madam Speaker;
Mayoral Committee Members;
Councillors;
Honoured Guests;
Municipal Manager;
Directors;
Municipal Officials;
Members of the media; and
The public

Good Morning, Goeie More, Molweni.

This year South Africa marks 24 years since the democratic election and 22 years since the passing of The Constitution which enshrined rights to all citizens through progressive realisation. Government as a whole need to do better to redress the past imbalances. This will assist us to restore the dignity of all people.

This year also marks the centenary of the birth of our great Madiba. We can all acknowledge that by any measure Nelson Mandela's impact, both locally and globally, has been unparalleled.

According to the Nelson Mandela Foundation the unfinished business of his life-work looms large and the South Africa of his dreams remains tantalisingly out of reach.

Madiba's dreams require us, especially in 2018, to focus our work around four primary objectives:

- The eradication of poverty and inequality
- The dismantling of structural racism
- The building and protecting of institutions of democracy and
- The restoration of human rights and dignity of people.

And it is my hope that together we can achieve what Madiba set out to achieve.

We sat in these very council chambers looking retrospectively to the service journey, and pondering on the successes, and challenges that we confronted during the 2016/2017 year. Today, we look at accepting the 2018/2019 Budget after looking at the 2017/2018 fiscal year with the same scrutiny and after highlighting our Plan and Budget for better interventions in the ensuing year.

It is difficult to conceive that a year has passed since the devastation of the Knysna Fires that raged through our area on the very day that we tabled the 2017/2018 Budget. Today we are faced with a different set of challenges, the challenge of rebuilding our Town. This is a challenge that we need to address collectively, government as a whole, business and civil society.

We are mindful of the commitments we made during the local government elections back in 2016 and we are working tirelessly to achieve them within our five-year tenure. The aspirations of the vast majority of our people is in our hands and we need to take joint responsibility to fulfil these aspirations.

We committed to the following five pillar manifesto to ensure good governance within Greater Knysna:

1. An opportunity town
2. A safe Town
3. A caring Town
4. An inclusive town, and
5. A well-run town

As I said earlier, we are facing different sets of challenges following the fires. As the Mayor, I have made no secret of the fact that we are facing and experiencing financial challenges to meet the key challenges faced by Knysna in a sustainable manner. We have worked hard on curbing our spending where we can and need to work harder to improve our collection rate.

In return we are committed to ensure that monies entrusted to us are spent in a responsible and efficient manner. We will ensure value for money, transparency and accountability. As much as financial constraints may have effect on our service delivery, we believe lack of capacity due to many vacancies that cannot be filled adds to the problem, and therefore we have prioritised the finalisation of the Organisational Structures Review process. We are working to improve our structure that will inevitably improve our service delivery.

It is my privilege to table the final draft annual budget and 2018/2019 Medium Term Revenue Expenditure Framework (MTREF) for Knysna Municipality in accordance with the provisions of the Municipal Finance Management Act (MFMA) and Municipal Budget and reporting regulations before Council today. This budget was drafted under very difficult financial circumstances due to the economic conditions faced by the country as a whole and the fire that ravaged our community in June last year.

This final draft budget tabled here today is regulated by all three spheres of government and needs to consolidate public finances under these difficult economic conditions. This final draft budget focuses on balancing municipal finances while managing our risk and maintaining fiscal stability in a weak economic environment while not diverting from, but giving effect to the Integrated Development Plan (IDP) and National Development Plan (NDP) as our strategic guiding documents.

Key challenges include:

- Water Security – through improving the infrastructure to extract; pump and store water
- Improving capacity of the Waste Water Treatment Plan
- Refurbishment of reticulation infrastructure
- Reducing fuel load and progressively reducing invasives.
- Economic growth and development and job creation.
- Human Settlement Backlogs
- Building a capable and responsive municipal organisation

Coupled with increasing community pressure there is an untenable strain on the financial resources that the municipality has at its disposal. To ensure long term sustainability, the municipality is finalising its long-term financial plan.

Further pressure on the limited resources is the fact that the municipality needs to continue to build its cash reserves to fund infrastructure needs, while ensuring the long term financial sustainability of the municipality.

In the medium term the municipality's finances will be constrained, until the infrastructure backlogs are addressed. The efficient utilization of financial resources remains key in delivering on our mandate and ensuring the financial wellbeing of the municipality.

Notwithstanding this and the adversity that this Council has faced following the devastating Knysna Fires, we have still managed to achieve a fair amount.

Thanks to Premier Helen Zille's office, the Garden Route Rebuild Initiative in partnership with ourselves and other Garden Route Municipalities, community members, and private sector donors, developed a rebuilding strategy for the area and identified where public and private funds can best be spent to best counter the devastation of the fires.

To assist the 564 households that were completely gutted by these fires, the Knysna Council approved the waiving of property rates for one year. This contribution is valued at R16.5 million. In addition, the municipality spent over approximately R7.5 million in restoring electricity and water services, providing waivers to demolition and planning applications and support to numerous relief efforts after the fires.

Our Environmental Management plan has assisted landowners with erosion control after the fires, providing 5826 erosion logs totalling 34 kms and 45 750m² of erosion blankets. They further completed an Invasive Plant Control Plan for all municipal-owned properties and cleared municipal owned land in Sedgefield. I must thank this department for all they have done including the sourcing of free herbicide for landowners wanting to clear invasive plants following the fires.

After an initiative started by Jacaranda Radio in Pretoria, Marce Fire Fighting Technology donated a Unimog Fire Engine to our Fire Department. With the funds raised by Jacaranda FM, this vehicle was fitted with state-of-the-art firefighting equipment. The value of the donation exceeded R1 million. We are currently having another new Fire Engine built that should be delivered to us by the end of June. These two new vehicles will boost our Fire Department's firefighting ability and enable them to render a better service to our community.

I am so proud that Buffalo Bay and Brenton-on-Sea beaches both received Blue Flag Status for the 2017/2018 season. Blue Flags were also awarded to two Knysna Marinas, Thesen Harbour Town and Thesen Island and one Sustainable Tourism Boat Operator, Ocean Odyssey's boats, Sousa, Dolphin and Oyster Catcher.

It is well-known that we, as the Knysna Council are passionate about youth development and I am extremely proud of the work that has been accomplished by our Youth Desk in partnership with the Youth Council. Together they have accomplished a number of successful projects that include a successful talent search, a driver's license programme, and ward based entrepreneurial and sport development projects. They continue with their vision of mobilising the youth of Knysna to act as change agents for active citizenship, meaningful community participating, entrepreneurship and the improvement of their own lives and the lives of those around them.

My Office, in collaboration with the Vineyard Academy established an Agricultural Learnership. This learnership focuses on the unemployed youth and young entrepreneurs of Greater Knysna. The objectives of this programme are critically interlinked and include youth development through access to skills and career development; supporting land reform; and enterprise development.

A Career and Opportunities School Road Show programme was offered to schools within Greater Knysna. As a Council we recognise the challenges our communities face on a daily basis. Very often unemployment is a result of our youth not having the necessary skills required by the employers. We have made a concerted effort towards closing this gap and are helping to build a growing economy through skills training. We are well aware that education can transform lives and create the foundation for a brighter future for our youth.

However, financial constraints often make it difficult for these young residents to gain access to higher education. The Mayoral Bursary Fund and Municipal Bursary programmes provide some relief and enable deserving and qualifying individuals' access to further their

education and training. The Knysna Municipality's Human Resources Department offers various full-time bursaries in specific fields to qualifying applicants. Once recipients of these bursaries have completed their studies they are placed within the relevant municipal department that is in line with their field of study. The municipality also offers internship programmes, which give graduates the opportunity to gain much needed experience for future growth.

Celebrating National Water Week, *Access to safe water by 2030 – possible through Nature*, Knysna Municipality's Environmental Management Department hosted a number of educational activities at local primary and high schools. Activities included a guided tour of the Water Treatment Works and a fun filled educational theatre show that focussed on water conservation.

To assist with the influx of visitors over the year-end holiday season, our Community Services Department employed 24 point duty personnel to help with traffic flow, 48 additional law enforcement officers and 37 lifeguards a day. We further utilised the ward based tender staff for cleaning, and employed an additional 8 temporary cleaners.

Phase 1 of the White Location Multi-purpose Centre has successfully been completed. Phase two of this construction project will start in the new financial year.

I am delighted at Knysna's Outdoor Gym with the assistance of the National Department of Sport & Recreation.

The Expanded Public Works Programme has ensured that 2 356 job opportunities were created during the last financial year.

To assist our exciting business and potential business, Knysna Municipal Department of Local Economic Development hosted various engagements dealing with the myriad of sectors within Greater Knysna where the local investment priorities, opportunities and ways of improving ease of doing business within Knysna, Sedgefield and surrounds were discussed. Information garnered from these Economic Sector Engagements was collated and presented at the 2018 Garden Route Investment Conference in George.

Our Nedbank SMME Incubator programme is successfully growing small business, boosting the economy and creating jobs. The partnership between Nedbank Business Banking and Knysna Municipality that began in 2009 continues to help set small businesses on the path to success, boosting the economy and stimulating job creation. A total of 21 incubatees are currently benefitting from this programme.

The Local Economic Development Department successfully launched the Knysna Film & Events Website. This Website provides important links between the Knysna Municipality and the national and international Film Industry, making it easier to use Greater Knysna as a much-sought after location.

We are now ready to start with the first phase of the Grey Street intervention as part of the CBD renewal programme for Knysna. Despite the many positive commercial and social developments in recent years, certain areas are still underdeveloped, not being used to its full potential or in need of urban upgrade. To address this challenge, and in line with our Long Term Strategic Policy direction, work started on the renewal programme some time ago.

With our help the Knysna Closed Circuit Television (CCTV) Project was able to include 11 more CCTV cameras to the existing 4 in the Knysna CBD. This has had a very positive outcome in providing better safety and security for our CBD.

In November 2017, we reported that the municipality had several short-term interventions in place to assist with the current water scarcity in Greater Knysna. These included the Charlesford pipeline construction that will allow more water to be pumped from the Knysna and Gouna rivers. Phase 2A of the project, will see six kilometres of the pipeline completed at a cost of R32 million and Phase 2B, valued at approximately R24 million, will provide a further 2.9 kilometres. We are excited to announce that our engineers have connected the new Charlesford pipeline.

Our Sedgefield Wastewater Treatment Works, together with the pump-stations have been upgraded to increase the capacity from 0.75 ML/day to 1.5 ML/day.

We have received an Energy Efficient Demand Side Management Grant that will enable us to retrofit streetlights with LED technology, that will result in vast energy saving.

We have completed the Low Voltage network at Happy Valley, Bloemfontein and Qolweni. Once the transformers are delivered and the houses built, we will complete the connections.

Network preparation for the electrification of informal areas that include Blade Square, Bongani Valley, Endlovini, Tobolo 1 and Slinger Park will continue in the 2018/2019 financial year. This project is planned to continue into the 2019/2020.

The electrical network is being upgraded by the installation of a new power cable from the Main intake substation to the Cemetery substation.

The Workshop substation upgrade continued with the phase 3 works.

Our Eastford substation upgrade started earlier this year and will improve the 11kV supply to the areas.

The following projects are planned by our Electrical Department for the 2018/2019 fiscal year.

- Eastford substation phase 2 will continue with the provision of a new switchgear
- The power supply to Hornlee will be improved by the upgrade of the Shamrock Substation and the extension of a new 11kV power cable

- The electrification for the housing programme will take place in
 - Qolweni phase 2
 - Bloemfontein Phase 2
 - Skool Gaatjie Phase 3
- Improvement of bulk power infrastructure in various housing areas Qolweni, Bloemfontein and Skool Gaatjie.

The upgrade of the power supply to Brenton on Sea and Lake will commence with a three year programme

- In Sedgefield the replacement of some overhead power lines with underground cables will commence with a two year programme
- Some improvements to the power supply in the Knysna Industrial area will take place
- The electrification of the informal areas in Blade Square, Bongani Valley, Endlovini, Robololo 1 and Slinger Park that started in the 2017/2018 financial year, will continue

The Department proposes to install road lighting in Brackenhill West, using the funding from their maintenance budget.

Our Technical Department has and will continue to resurface gravel roads in Wards 1, 2, 3, 4, 5, 7 and 8. This resurfacing programme will continue for the next three years. We have further resurface just over kms of roads this year.

We have appointed a Service Provider to conduct a full infrastructure verification and condition assessment. This will include all water, sewer, roads and electricity networks. This process has already started and is estimated to be completed by 28 February 2019.

Focus of the 2018/2019 budget

Both national and provincial governments view infrastructure as an important means of promoting sustainable growth and reducing poverty, the national government has allocated large portions of its budget for this purpose. Decreasing revenue expectations and stricter financial consolidation have however, resulted in baseline reductions across the three spheres of government, thereby directly affecting municipal revenue and grant allocations.

Economic infrastructure is an important focus for Knysna Municipality and includes;

- water supply
- wastewater treatment works
- aging infrastructure upgrade
- electricity transmission and networks
- road upgrade and maintenance

Honourable Councillors, it is clear that the provision of basic infrastructure will be key to the long-term financial sustainability of the municipality. It is encouraging that this council and its community at large agree on areas in which growth potential lies and this will ensure that

appropriate infrastructure services are properly funded. It is of essence that the municipality is investment-ready to ensure that demand for services are met when opportunity arises. Infrastructure will unlock investment in both economic growth as well increasing bulk capacity to support our investment in adding the backlog on housing and basic services.

We have revised our spending plans to ensure key service delivery objectives are achieved. In this MTREF we have once again focused on the exclusion of non-priority spending and have reprioritized expenditure to focus on core infrastructure and service delivery needs. National Treasury Budget Circulars 89 and 91 also emphasizes the constricting economic climate in which we need to operate and urges municipalities to ensure value for money spending and protection of the poor, yet urges municipalities to ensure that indigent household consumption is managed to the extent that the free services allocations are not exceeded.

Cost containment measures as emphasized in MFMA Circular 82 are also once again reiterated, and we will therefore ensure the continued implementation and enforcement of savings and austerity measures to ensure that the municipality becomes financially sustainable.

In preparing of the 2018/2019 Final Draft Budget and MTREF, we continued to explore opportunities to mainstream labour intensive approaches to the delivering of services to foster job creation and more particularly to improve our participation in the extended public works programme.

Capital Budget

The Capital Budget flows from the IDP process and contains information obtained from Infrastructure Master Plans and relevant stakeholders through public participation processes as well as ward committee processes where applicable.

With this budget the municipality strived to balance the need for investment in a financially responsible and sustainable manner. The municipality has a critical role in creating and enabling an environment for investment, growth and development. Our economy can only grow if we continue to invest in capital programmes. The planning and implementation of basic infrastructure is critical for sustaining basic standards of living and economic activity in our town, as well as addressing backlogs in services

Critical capital projects include water augmentation and securing sustainable water sources for the Charlesford Scheme and upgrade of bulk water supply where water disruptions have been plaguing the municipality over the last six years.

The following provides a break-down of major capital projects for the 2018/2019 MTREF:

	New (R'000)	Renewal	Upgrading	Total (R'000)
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		(R'000)	(R'000)	
Water	3 500	18 018	17 401	38 919
Sanitation	2 000	0	23 992	25 992
Electricity	18 944	4 000	2 950	25 894
Roads & Storm Water	500	17 600	5 500	23 600

The budget further makes provision for operating programmes that will contribute to infrastructure improvement and job creation opportunities. For this purpose an amount of R27mil has been set aside for maintenance of roads.

The clearing of alien vegetation project has been budgeted over the MTREF for R2.15 million annually. This is a labour intensive project that will create jobs and improve capacity building. The clearing of the alien vegetation will further reduce future fuel load for fire, enhancing biodiversity. The clearing of alien vegetation in rivers has a positive effect on the stream flow as well.

Housing allocation

Housing allocation for construction of houses has been set at R65million which will allow the municipality to expedite the delivery of houses.

Operational Budget

The Operational Budget ensures that the Municipality can fulfil its constitutional mandate.

Social and Developmental programmes

The total budgeted amount for Grant-in-aid for 2018/2019 amounts to R1.5mil. The community is advised to write and submit requests for Grant-in-aid support timeously.

Indigent and other subsidies

Provision is made in the operating budget for the subsidizing of indigent households as follows;

- the first 6Kl of water per month as well as 50 units of electricity will be free of charge
- a 100% subsidy for refuse removal, sewerage charges and water basic will be given
- A rebate on assessment rates will also be given for Indigent households up to a valuation of R100 000

The indigent subsidy package is slightly above the national norm and stretches the affordability threshold of the municipality due to the growing number of indigent households and the fact that the monetary values of these subsidies exceed the national allocation. The total amount in respect of free services, inclusive of free services given in Eskom distribution areas and assessment rate rebates exceed R37.831 Million for the 2018/2019 financial year.

Pensioners qualifying for assessment rates rebates will also be entitled to 6kl free water per month as well as the first 50 units of electricity at a zero rate.

Provision is further made for 50 free units of electricity for indigent households where occupants are on life support systems that require the use of electricity.

Revenue sources remain under strain, and in an attempt to balance service delivery with affordability, the proposed tariff increases have been limited as follows:

- Electricity 6.84%
- Water 7.7%
- Refuse 5.3%
- Property Rates 2.2% for residential/ domestic tariff
- Sewage 80.6% - to address the critical underfunding of this service over the medium term

In conclusion

The budget tabled here today was compiled taking into account the economic reality and balancing that with service delivery demands from the communities as determined through the ward committee and community consultation processes. It is encouraging to see our communities and all stakeholders taking part in the budget process, this will ensure that community needs are addressed taking into account the available financial resources at our disposal.

I would therefore like to thank all councillors, all community members, business, agriculture and all other stakeholders who took part and provided further input in both the budget and IDP processes.

Greater Knysna's success as a community continues to rest on the shoulders of every person who calls Greater Knysna home. Today's Greater Knysna has been shaped by the intentions of those who came before us, and our destiny will be delivered by those who are involved, invested, and positive about what we will accomplish together. I am grateful every day to all of our dedicated citizens in helping keep Greater Knysna great, and I thank all of you for joining me in this calling.

There is no doubt that Greater Knysna will experience difficulties and challenges in the coming year we at the time I am convinced that we can work together to address overcome our challenges. So as we enter this new financial year, I challenge each of you to be passionate about Greater Knysna -- about keeping each other happy and safe, about making life easier and better, about sharing our time and our talents, and about enjoying each day with an appreciation for all that we've been given.

In conclusion I would like to thank my Mayco Chair of Finance, Cllr Cathy Weideman, Mayco Members, Audit Committee Members, our MM, Mr Kam Chetty, the CFO, Mbulelo

Memane, and his team and IDP Manager Eben Phillips and Cherne Wolmarans for all the hard work that they put into this Budget.

I further thank all my Councillors for the part they played in ensuring that our residents were presented with the Draft Budget and the IDP and given the opportunity to submit their comments.

It is therefore my privilege to table the 2018/2019 final IDP draft budget and MTREF and Budget related policies before council for consideration and approval.

I thank you.

Executive Mayor, Eleanore Bouw-Spies

1.2 Council Resolution

SC02/06/18 APPROVAL OF THE ANNUAL BUDGET 2018/2019-2020/2021

That it be recorded that the ANC Councillors are not in support of the Annual Budget 2018/2019-2020-2021,

Cllr V Molosi proposed, seconded by Cllr Tsengwa that the Annual Budget be rejected.

Cllr C Weideman proposed that the recommendation be approved with amendments.

The Speaker called the matter on vote:

Councillors in favor of Cllr V Molosi proposal: 9

Councillors against of Cllr V Molosi proposal: 12

The proposal from Cllr C Weideman was thus carried.

RESOLVED BY MAJORITY

[a] That the Council of Knysna Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) Approves 2018/2019 MTREF Budget:

[i] The approved budget of the municipality for the 2018/19 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:

[ii] Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;

[iii] Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;

[iv] Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and

[v] Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

[b] That the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

[i] Budgeted Financial Position as contained in Table A6;

[ii] Budgeted Cash Flows as contained in Table A7;

[iii] Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;

[iv] Asset management as contained in Table A9; and

[v] Basic service delivery measurement as contained in Table A10;

[c] That the Council of Knysna Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) APPROVES the following final tariffs 2018/2019 tariffs for other services, as set out in Annexures D.

a) The tariffs for property rates – as set out in Annexure D

b) The tariffs for electricity – as set out in Annexure D

c) The tariffs for the supply of water – as set out in Annexure D

d) The tariffs for sanitation services – as set out in Annexure D

e) The tariffs for solid waste services – as set out in Annexure D

f) All other tariffs – as set out in Annexure D

[d] That the Council of Knysna Municipality, acting in terms of MBRR Regulation 7 (Part 2) the following policies 2018/2019 as set out in Annexures E, BE APPROVED:

- [i] The Tariffs Policy- as set out in Annexure E
- [ii] The Municipal Property Rates Policy – as set out in Annexure E
- [iii] The Customer Care, Credit Control, Debt Collection, Indigent and Tampering policy – as set out in Annexure E
- [iv] The Cash, Liability, Borrowing and Investment Policy–as set out in Annexure E
- [v] The Funding and Reserve Policy – as set out in Annexure E
- [vi] The Liquidity Policy– as set out in Annexure E
- [vii] The Policy related to Long-term Financial Planning – as set out in Annexure E
- [viii] The Supply Chain Management Policy – as set out in Annexure E
- [ix] Preferential Procurement Policy – as set out in Annexure E
- [x] Contract Management Policy – as set out in Annexure E
- [xi] Infrastructure Procurement and Delivery Management – as set out in Annexure E;
- [xii] The Policy related to Management and Disposal of Assets – as set out in- Annexure E;
- [xiii] Unauthorised, Irregular and fruitless wasteful and expenditure Policy – as set out in Annexure E;
- [xiv] The Policy related to dealing with infrastructure investment and capital projects – (Developmental charges Policy) -as set out in Annexure E
- [xv] The Budget Implementation and Monitoring Policy including –
 - [aa] Policy dealing with the shifting of funds (Virement policy)
 - [bb] Policy dealing with the introduction of adjustments budget
 - [cc] Policy dealing with unforeseen and unavoidable expenditure
 - [dd] Policy dealing with Management and Oversight
- [xvi] Virement Policy – as set out in Annexure E
- [xvii] Policy related to personnel including policies on overtime, vacancies, and temporary staff The Policy related to dealing with infrastructure investment and capital projects (Developmental charges Policy) -as set out in Annexure E

[e] That to give proper effect to the municipality's Annual Budget, the Council of Knysna Municipality tables:

- [i] That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions (depending on funding and reserves policy), unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations;
- [ii] That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2018/2019 financial year subject to section (46) of MFMA;
- [iii] That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.
- [f] That all the above including supporting tables are APPROVED in Council on 6 June 2018.

File Number: 9/1/2/10

Execution: Municipal Manager

Director: Financial Services

RECOMMENDATION TO THE COUNCIL:

- 1. The Council of Knysna Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) Approves 2018/2019 MTREF Budget:**
 - a) The approved budget of the municipality for the 2018/19 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:
 - b) Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
 - c) Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
 - d) Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
 - e) Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
- 2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:**
 - a) Budgeted Financial Position as contained in Table A6;
 - b) Budgeted Cash Flows as contained in Table A7;
 - c) Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
 - d) Asset management as contained in Table A9; and
 - e) Basic service delivery measurement as contained in Table A10.
- 3. The Council of Knysna Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) Approves the following final tariffs 2018/2019 tariffs for other services, as set out in Annexures D.**
 - g) The tariffs for property rates – as set out in Annexure D
 - h) The tariffs for electricity – as set out in Annexure D
 - i) The tariffs for the supply of water – as set out in Annexure D
 - j) The tariffs for sanitation services – as set out in Annexure D
 - k) The tariffs for solid waste services – as set out in Annexure D
 - l) All other tariffs – as set out in Annexure D
- 4. The Council of Knysna Municipality, acting in terms of MBRR Regulation 7 (Part 2) Approves the following policies 2018/2019 as set out in Annexures E**
 - a) The Tariffs Policy- as set out in Annexure E
 - b) The Municipal Property Rates Policy – as set out in Annexure E
 - c) The Customer Care, Credit Control, Debt Collection, Indigent and Tampering policy – as set out in Annexure E
 - d) The Cash, Liability, Borrowing and Investment Policy–as set out in Annexure E
 - e) The Funding and Reserve Policy – as set out in Annexure E
 - f) The Liquidity Policy– as set out in Annexure E
 - m) The Policy related to Long-term Financial Planning – as set out in Annexure E
 - n) The Supply Chain Management Policy – as set out in Annexure E
 - o) Preferential Procurement Policy – as set out in Annexure E
 - p) Contract Management Policy – as set out in Annexure E
 - q) Infrastructure Procurement and Delivery Management – as set out in Annexure E
 - r) The Policy related to Management and Disposal of Assets – as set out in- Annexure E
 - s) Unauthorised, Irregular and fruitless wasteful and expenditure Policy – as set out in Annexure E
 - t) The Policy related to dealing with infrastructure investment and capital projects – (Developmental charges Policy) -as set out in Annexure E

- u) The Budget Implementation and Monitoring Policy including –
 - i) Policy dealing with the shifting of funds (Virement policy)
 - ii) Policy dealing with the introduction of adjustments budget
 - iii) Policy dealing with unforeseen and unavoidable expenditure
 - iv) Policy dealing with Management and Oversight
- v) Virement Policy – as set out in Annexure E
- w) Policy related to personnel including policies on overtime, vacancies, and temporary staff
The Policy related to dealing with infrastructure investment and capital projects (Developmental charges Policy) -as set out in Annexure E

5. To give proper effect to the municipality's Final draft Annual Budget, the Council of Knysna Municipality tables:

- a) That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions (depending on funding and reserves policy), unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
- b) That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2018/2019 financial year
- c) That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

6. All the above including supporting tables are approved in council on 30 May 2018

APPENDIX / ADDENDUM

- Medium Term Revenue and Expenditure Framework (MTREF) 2018/2019– 2020/2021
- Annexure A: Main budget tables A1- A10
- Annexure B: Supporting budget tables
- Annexure C: NT Budget Circular 89 & 91, PT Circular 13, Cost Containment measures and NT Financial ratios and norms
- Annexure D: Tariffs, charges and fees for 2018/2019
- Annexure E: Policies
- Annexure F: LGMTEC Assessment
- Annexure G: Comments and responses public inputs
- Annexure H: Service Level Standard

1.3 Executive Summary

A. The South African Economy

The 2018 Budget Review emphasised that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2% and unemployment remains high at above 27%. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

Adding to the woes of the consumers are the continued increasing in taxes through the increase in the fuel levy, sin taxes, the personal income tax rate as well as the increase in the VAT rate to 15%, all of which impacts on the disposable income of households and the ability to pay for municipal services.

B. National Economic outlook

The GDP growth rate is forecasted at 1.5% in 2018, 1.8% in 2019 and 2.1% in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining. The main risks to the economic outlook remains political uncertainty and the deterioration in the finances of state-owned entities.

Consumer inflation outlook has improved and it is expected that inflation will remain within the South African Reserve Bank target of between 3 and 6% for the immediate future. A slight decline in inflation is expected over the MTREF and a 5.3% inflation rate is predicted for 2018/2019 thereafter increasing slightly to a forecasted 5.5% for 2020/2021. Real GDP Growth is expected not to exceed 1% in the current fiscal year with a 1.5% being predicted for 2018/2019 increasing moderately to 1.8% for 2019/2020 and further increasing to 2.1% for the 2020/2021 financial year.

The economy of the Western Cape is strained by the continued drought and economic growth in 2017 is therefore limited to 0.75 further contracting with 0.3% in 2018 where-after a growth of 2.8% is predicted for 2019.

The slow economic growth and persistently high unemployment rate will influence the ability of all municipalities to generate and collect revenue for services. The revenue enhancement strategy approved by the municipal council will be fully implemented in the course of the 2018/2019 financial year in an aim to enhance revenue growth without further burdening consumers with tariff increases.

C. Knysna brief financial overview

The municipality still finds itself in a less than ideal financial position constantly keeping an eye on the cash flow to ensure that operational obligations are met within the prescribed legal framework. The following needs to be highlighted:

- The cash position has improved from R75 566 500 on 30 June 2016 to R108 212 939 on 30 June 2017. The estimated cash position will increase to R155 371 768 at the end of this MTREF period on 30 June 2021.
- Debtor collection has improved from 86% in early 2016 to an estimated collection rate of 95% at the end of the MTREF period.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The revised IDP informs the budget and serves to aide in the review of the service delivery priorities as an integral part of the municipality's planning and budgeting process. The budget serves to address crucial service delivery needs, which is compounded by infrastructure services failures

caused by many years of inadequate maintenance and refurbishment. The current year budget continues to prioritize the improvement in service delivery as well as the financial sustainability of the municipality. The Long term financial sustainability remains a priority and the final draft MTREF further serves as a tool to attain the financial sustainability goals set out in the Long term financial plan.

Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditure on cost containment measures, non-core and 'nice to have' items.

The Municipality will be undertaking various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the municipality is a strategic objective.

D. The mSCOA regulations

The publishing of the regulation on the Standard chart of Accounts (mSCOA) on 22 April 2014 has a profound effect on the business of local government. This reform is not limited to a financial reform, but a business reform as a whole. It is the largest reform since the promulgation of the Municipal Finance Management Act in 2003. The mSCOA regulations took effect on 1 July 2017 and therefore this budget has been compiled to adhere to the regulations. The regulations contain amongst others, segment and classification framework for mSCOA, minimum business process and system requirements and responsibilities of municipal councils and accounting officers. A revised A Schedule – mSCOA Version 6.2 (Municipal annual budgets and MTREF & supporting tables) was also issued.

The segments classification consists of the following:

Funding segment – This segment relates to the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending.

Function segment - This segment provides for the classification of the transaction according to the function or service delivery objective and provides for the standardisation of functions and subfunctions across local government.

Municipal Functional classification Segment - This segment provides for the organisational structure and functionality of an individual municipality, which is not prescribed.

Project Segment - This segment provides for the classification of capital and operating projects on the basis of whether it relates to a specific project and if so, the type of project.

Regional Indicator Segment - This segment identifies and assigns government expenditure to the lowest relevant geographical region within which the intended beneficiaries of the service or capital investment are located.

Item Segment - This segment provides for the classification of item detail in the presentation of the financial position, performance and cash flow according to the nature of the transaction either as revenue, expenditure, asset, liability or net asset.

Costing Segment - This segment provides for a classification structure for secondary cost elements with reference to departmental charges, internal billing etc. and acts as a cost collector in determining inter alia total cost of services.

Knysna municipality was identified as one of the official national pilot sites to early implement mSCOA and to pilot the Promun system. This was first implemented for the 2015/2016 financial year and has been continued in 2017/18. The piloting stage ended 30 June 2017. A full report regarding the status of implementation of mSCOA will be submitted to Council in October 2018.

E. Guidelines for preparing the 2018/19 MTREF

National Treasury's MFMA Circulars 89 and 91, read with Provincial Circular 13 of 2018 were used as reference to guide in the compilation of the 2018/19 MTREF.

MFMA Circular No. 82 (updated November 2017) relating to direction and guidance regarding Cost Containment Measures was issued. National Treasury has since published Final draft Regulations on Cost Containment Measures and the closing date for comments was 30 March 2018. The circular and final draft regulations relating to cost containment measures are included in Annexure C to this report.

F. The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- Ageing and poorly maintained water, roads and electricity infrastructure;
- Unsustainable refuse disposal;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies necessary for institutional stabilization and capacity.
- Limitation on own funding for investment in much needed infrastructure, refurbishment and renewals.
- The need to reprioritise projects and expenditure within the existing resource constraints;
- The cost of bulk electricity;
- Revenue recovery from cost reflective core municipal services;
- Wage increases for municipal staff that have exceeded headline consumer inflation in the past, as well as the need to restructure certain components for operational efficiencies;
- Maintaining a positive cash flow.

G. The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustments Budgets set the base line for the budget of 2018/2019 and where appropriate a zero base budgeting principle has been used.
- Service level standards were used to inform the measurable objectives, targets and any backlog eradication goals;
- Tariffs and property rates increases should aim to be affordable and must take into account the full basket of services;
- Some price increases in the input costs of services are beyond the control of the municipality, for instance the cost of fuel, chemicals and electricity.
- Cost reflective tariff setting where applicable and achievable also taking into account the need to address infrastructure backlogs.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/19 MTREF
(a) Consolidated Overview of the 2018/19 MTREF (excluding capital grants)

WC048 Knysna - Table A1 Budget Summary

Description	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands						
Financial Performance						
Property rates	200,734	205,069	205,069	215,403	227,864	241,342
Service charges	344,605	337,057	351,584	386,212	412,426	440,584
Investment revenue	9,700	11,200	11,200	11,760	11,760	11,760
Transfers recognised - operational	140,596	134,896	134,896	153,822	147,811	121,065
Other own revenue	117,523	140,920	140,920	147,347	154,081	162,221
Total Revenue (excluding capital transfers and contributions)	813,158	829,143	843,670	914,544	953,942	976,973
Employee costs	220,119	239,827	239,827	254,199	266,110	280,487
Remuneration of councillors	8,302	8,942	8,942	8,653	9,120	9,612
Depreciation & asset impairment	30,899	30,899	30,899	31,511	31,719	31,284
Finance charges	19,502	23,322	23,322	14,395	20,039	25,269
Materials and bulk purchases	189,371	213,901	213,901	227,567	259,715	235,729
Transfers and grants	2,280	8,415	8,415	3,150	2,792	2,792
Other expenditure	341,508	329,100	318,880	338,786	321,645	333,047
Total Expenditure	811,980	854,405	844,186	878,261	911,140	918,221
Surplus/(Deficit)	1,177	(25,263)	(516)	36,284	42,803	58,752

(b) Consolidated Overview of the 2018/19 MTREF (Including capital grants)

WC048 Knysna - Table A1 Budget Summary

Description	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands						
Financial Performance						
Property rates	200,734	205,069	205,069	215,403	227,864	241,342
Service charges	344,605	337,057	351,584	386,212	412,426	440,584
Investment revenue	9,700	11,200	11,200	11,760	11,760	11,760
Transfers recognised - operational	140,596	134,896	134,896	153,822	147,811	121,065
Other own revenue	117,523	140,920	140,920	147,347	154,081	162,221
Total Revenue (excluding capital transfers and contributions)	813,158	829,143	843,670	914,544	953,942	976,973
Employee costs	220,119	239,827	239,827	254,199	266,110	280,487
Remuneration of councillors	8,302	8,942	8,942	8,653	9,120	9,612
Depreciation & asset impairment	30,899	30,899	30,899	31,511	31,719	31,284
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Transfers and grants	2,280	8,415	8,415	3,150	2,792	2,792
Other expenditure	341,508	329,100	318,880	338,786	321,645	333,047
Total Expenditure	811,980	854,405	844,186	878,261	911,140	918,221
Surplus/(Deficit)	1,177	(25,263)	(516)	36,284	42,803	58,752
Transfers and subsidies - capital (monetary allocation)	58,101	80,098	80,098	53,360	33,000	28,603
Contributions recognised - capital & contributed assets	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	59,278	54,835	79,582	89,643	75,803	87,355
Share of surplus/ (deficit) of associate	-	-	-	-	-	-
Surplus/(Deficit) for the year	59,278	54,835	79,582	89,643	75,803	87,355

Total revenue (excluding capital grants) to expenditure (Table 1a) indicates a surplus for each of the years over the 2018/19 MTREF.

Total operating revenue (Table 1a) indicates an increase in revenue of 10.30% for the 2018/19 financial year when compared to the 2017/2018 Adjustments Budget. For the two outer years,

operational revenue will increase by 4.31 and 2.41% respectively. Fluctuations of revenue in Table 1(a) are mainly because of housing allocation grant decrease in the respective financial years.

Total operating expenditure for the 2018/19 financial year has been appropriated at R878,261 million and translates into a budgeted surplus of R36,284 million (excluding capital grants) and a surplus of R89,643 million (including capital grants). When compared to the 2017/2018 Adjustments Budget, operating expenditure has increased by 2.80% in the 2018/19 budget and increased by 3.74 and 0.78% for each of the respective outer years of the MTREF. The decrease for 2020/21 is attributable to decrease in other expenditure in the respective financial years.

To attain a sound financial position at current cost, a surplus of at least R125,000 million is necessary to provide a sound operating reserve and to start investing into infrastructure provisioning.

Capital funding comprising external borrowing, own funding and grant funding. The capital budget of R 150,742 million for 2018/19 is 9.52% less than the revised budget for 2017/2018. The capital program decreases to R 124.459 million in the 2019/20 financial year and further decreases to R 113,914 million in the 2019/20 financial year. The increase is mainly due to the year-on-year fluctuation and allocation of the Housing grant and decrease on national allocations. Capital funded from own sources over the MTREF amounts to R 128,090 million to address critical needs as well as refurbishment requirements. The decrease own funding from surpluses is due to cash generated from operation, which includes anticipated sales of properties. Further projects from the proceeds of sale properties will be prioritized in future budgets, subject to maintaining minimum sustainability levels.

The capital programme decreases to R124,459 million and further decrease to R113,914 million in the outer years, which is lesser than the estimated minimum of R125 million required annually to sustain capital infrastructure. Own funding is anticipated at R47,130 million for 2018/2019 MTREF. Borrowings are set at R50,196 for the 2018/19 financial year, decreases to R45,373 and further increase to R50,324 in 2020/21 financial year. Borrowings contribute 33.30% of the funding in 2018/2019, increase to 36.46 and 44.18% in the outer two years respectively. Own funding contribute 31.27% of the funding in 2018/2019, increase to 36.98 and decrease to 30.66% in the outer two years respectively. The balance will be funded from grant funding from national and provincial grant. Grant funding contribute 35.44% of the funding in 2018/2019, decrease to 26.56 and 25.16% in the outer two years respectively

The Municipality will reach its planned outer borrowing limit of 45% in 2002/21. This situation need to be improved by ensuring efficiency and effectiveness in the debt collection of revenue due to the Municipality. This is due to much needed investment in infrastructure during the next three-year period of which the municipality will embarked on a strategy to manage this rate down by at least 10% over a five year period. In January 2014 National Treasury published the first norms and standards circular in which it recommended an upper limit of 45% to revenue. By the end of June 2021 it is estimated that this rate would be at 30% and at the end of the 2018/19 it is 26%. Borrowing programme is below the NT upper limit of 45% for the duration of the 2018/2019 MTREF. The repayment of capital and interest (debt services costs) remains within the NT acceptable norm band.

1.4 Operating Revenue Framework

For Knysna Municipality to continue improving the quality of life of its communities through the delivery of high quality services, it is necessary to generate sufficient revenue from rates and services charges. The revenue enhancement and billing data cleansing projects under the finance

department will aid to ensure that all revenues are accurately and efficiently billed and collected. The prevailing economic circumstances is adding to the difficulties in collecting the revenue that is due to the municipality and the promotion of operational efficiencies, savings and austerity measures remain a priority in ensuring the availability of sufficient financial resources to fund the MTREF.

The reality is that we are facing an increasing population (1.9%) as per the 2016 community survey, unemployment (24%) and increasing poverty levels. The level of education for people with tertiary education is also very concerning, at only 9.5%. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues streams..

The municipality's revenue strategy is built around the following key components:

- Cost reflective tariff setting – The municipality has embarked on a process to determine cost reflective tariffs for the water, electricity and sanitation services in the 2017/2018 financial year, the study is concluded and the result thereof forms the basis of water, electricity and sewerage tariffs for the MTREF and foreseeable future. A refuse study will be completed towards by January 2019 and will be incorporated in the next budget.
- A proper activity based costing model still needs to be implemented to determine the real cost of service rendering and appropriate tariff setting for all services.
- A revenue enhancement strategy has been implemented and the staffing of the section will be done towards the end of the contract of PWC as the service provider.
- A billing data exercise will be undertaken from July 2018, this and revenue enhancement will ensure that all revenue is correctly billed in accordance with the category, user type and applicable tariffs and number of service units as determined by the municipality, if correctly applied and implemented, it will ensure that consumers across the board are saved from further above average tariff increases;
- The municipal council has adopted a principle of protecting the poor from excessive tariff increases and will therefore endeavour to limit the increase to lower income consumers in line with inflationary trends. Subsidization of free basic services have been extended to pensioners and the most vulnerable category of consumers.
- Efficient revenue management, which aims to ensure a minimum 90% annual collection rate for property rates and other key service charges;
- Electricity tariff increases for Eskom and the municipality, as approved by NERSA;
- Increased pressure to deliver and maintain services and recover costs;

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions is excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

WC048 Knysna - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Revenue By Source							
Property rates	2	200,734	205,069	205,069	215,403	227,864	241,342
Service charges - electricity revenue	2	233,235	233,754	238,282	250,865	269,228	288,936
Service charges - water revenue	2	71,324	66,681	74,230	79,542	84,155	89,121
Service charges - sanitation revenue	2	14,034	15,639	16,776	29,482	31,192	33,032
Service charges - refuse revenue	2	21,033	20,983	22,296	26,323	27,851	29,496
Service charges - other		4,979	–	–	–	–	–
Rental of facilities and equipment		6,328	6,328	6,328	6,657	7,003	7,367
Interest earned - external investments		9,700	11,200	11,200	11,760	11,760	11,760
Interest earned - outstanding debtors		3,541	11,477	11,477	12,074	12,702	13,362
Dividends received		–	–	–	–	–	–
Fines, penalties and forfeits		98,429	105,030	105,030	110,597	116,458	122,631
Licences and permits		1,482	1,492	1,492	1,572	1,654	1,742
Agency services		2,763	2,763	2,763	2,909	3,066	3,235
Transfers and subsidies		140,596	134,896	134,896	153,822	147,811	121,065
Other revenue	2	4,480	13,330	13,330	12,538	13,198	13,884
Gains on disposal of PPE		500	500	500	1,000	–	–
Total Revenue (excluding capital transfers and contributions)		813,158	829,143	843,670	914,544	953,942	976,973

Table 3 Percentage growth in revenue by main revenue source

Description			2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Revenue By Source								
Property rates	205 069	24,31%	215 403	23,55%	227 864	23,89%	241 342	24,70%
Service charges - electricity revenue	238 282	28,24%	250 865	27,43%	269 228	28,22%	288 936	29,57%
Service charges - water revenue	74 230	8,80%	79 542	8,70%	84 155	8,82%	89 121	9,12%
Service charges - sanitation revenue	16 776	1,99%	29 482	3,22%	31 192	3,27%	33 032	3,38%
Service charges - refuse revenue	22 296	2,64%	26 323	2,88%	27 851	2,92%	29 496	3,02%
Service charges - other	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Rental of facilities and equipment	6 328	0,75%	6 657	0,73%	7 003	0,73%	7 367	0,75%
Interest earned - external investments	11 200	1,33%	11 760	1,29%	11 760	1,23%	11 760	1,20%
Interest earned - outstanding debtors	11 477	1,36%	12 074	1,32%	12 702	1,33%	13 362	1,37%
Dividends received	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Fines	105 030	12,45%	110 597	12,09%	116 458	12,21%	122 631	12,55%
Licences and permits	1 492	0,18%	1 572	0,17%	1 654	0,17%	1 742	0,18%
Agency services	2 763	0,33%	2 909	0,32%	3 066	0,32%	3 235	0,33%
Transfers recognised - operational	134 896	15,99%	153 822	16,82%	147 811	15,49%	121 065	12,39%
Other revenue	13 330	1,58%	12 538	1,37%	13 198	1,38%	13 884	1,42%
Gains on disposal of PPE	500	0,06%	1 000	0,11%	-	0,00%	-	0,00%
Total Revenue (excluding capital transfers and contributions)	843 670	100,00%	914 544	100,00%	953 942	100,00%	976 973	100,00%

The above table, relating to percentage increases for the different revenue categories, could reflect percentage changes that are not consistent with the annual tariff increases. This would be due to the baseline of the 2017/18 budget, consideration of total cost of basket of service and further reclassifications of revenue categories relating to mSCOA. The determination of proposed revenue for 2018/19 has been based on the current statistics available, limited growth, and a conservative approach.

Revenue generated from services charges remain the major source of revenue for the municipality amounting to R386,212 and translate to 40.49% of total revenue. After service charges, property rates are the second largest revenue source at R215,403 and equates to 23.55% of the total revenue. The third largest source is operational grants from national and provincial government at R153,822 and translate to a 16.82% of the total revenue, which is showing decline over the MTREF.

Other revenue consists of various items such as; income received from permits and licenses, building plan fees, interest on investment and outstanding debtors connection fees, admission fees, fines collected and other sundry receipts and totals R159,107 for the 2018/2019 financial year. The principle of cost reflective tariffs for this category of revenue has not yet been rolled out and will be dealt with within the MTREF.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

WC048 Knysna - Supporting Table SA18 Transfers and grant receipts

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
RECEIPTS:	1, 2						
Operating Transfers and Grants							
National Government:		79,441	79,575	79,575	88,650	93,810	101,573
Equitable Share		70,833	70,833	70,833	78,375	85,909	94,186
Financial Management Grant		1,550	1,550	1,550	1,550	1,550	1,550
Municipal Infrastructure Grant		4,047	4,047	4,047	4,277	4,483	4,768
Neighbourhood Development Partnership Grant		1,228	1,362	1,362	1,565	-	-
Expanded Public Works Programme Integrated Grant		1,415	1,415	1,415	1,187	-	-
Integrated National Electrification Programme Grant		368	368	368	913	1,085	417
Energy Efficiency and Demand Side Management					783	783	652
Provincial Government:		60,968	55,121	55,121	64,972	54,001	19,492
Community Development Workers		56	56	56	56	56	56
Housing		52,360	44,168	44,168	55,074	44,200	9,750
Libraries, Archives and Museums		8,470	7,901	7,901	8,907	9,181	9,686
Other - Fire Services		-	147	147	-	-	-
Public Transport		82	82	82	86	-	-
Maintenance of Road Infrastructure		-	487	487	-	-	-
Other - Financial Management Support (WC_FMGS)		-	2,280	2,280	849	564	-
Other grant providers:		200	200	200	200	-	-
Non-profit institutions - Unspecified		200	200	200	200	-	-
Total Operating Transfers and Grants	5	140,609	134,896	134,896	153,822	147,811	121,065

Operating grants and transfers total R153,822 million in the 2018/19 financial year. This decreases in the outer years to R147,811 million in 2019/20 and R121,065 million in 2020/21 respectively, of the MTREF. The fluctuations are mainly due to housing grant allocations. The housing allocation for the building of top structures for housing development amounts to R55,074 million in 2018/19 and R109,024 over the MTREF. Equitable share increases over the MTREF by

6.12% in terms of the equitable share formula after the release of the 2016 survey figures, as a result of the population growth in the Knysna area. Equitable share amount to R78,375 in the 2018/19 financial year and increase to R94,186 in the 2020/21 financial year.

Tariff Setting

Tariff setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised under normal circumstances, local economic conditions, input costs and the affordability of services are taken into account to ensure the financial sustainability of the Municipality.

Knysna Municipalities also used a benchmarking to ensure that the tariffs we apply are within the industry norm as operational requirements and service standards of comparable sizes and demographics of municipalities are similar and a deviation from this norm will give an indication of whether a municipality may be heading for disaster in the application of its tariff strategy.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities should justify in their budget documentation all increases in excess of the 6.0% upper boundary of the South African Reserve Bank's inflation target in accordance with budget circular 89. It is acknowledged that excessive increases are likely to be counterproductive to economic growth and development thereby resulting in higher levels of non-payment yet the municipality has no alternative but to embark on this avenue for water and electricity tariffs as part of addressing draught and NERSA approved electricity tariffs. The guideline price increase for electricity to municipalities are 7.32% resulting in municipal customers having to pay 6.84% more for electricity. Another contributing factor to the general tariff increase is the anticipated wage increase currently estimated at between 6.5% and 7.5% that is being negotiated to establish a new multi-year collective agreement. Other factors contributing to the rising cost include the continued increase in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs needs to be increased annually.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The municipality implemented a new valuation roll with effect from 1 July 2017 and the assessment rates tariff was restructured to ensure revenue neutrality based on the new valuation totals in accordance with the provisions of the Municipal Property Rates Amendment Act. Considering the impact that the valuation roll implemented with effect from 1 July 2017 had on ratepayers, and the increase in rates revenue recoded in the current financial year, the assessment rates tariff is increased with 2.2% thus only moderately increase in an effort to further aide in the cost of basket of services to be in line with the parameters set by National Treasury.

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA).
- In terms of the property rates policy of the municipality and tariff determination of the council in the past, certain categories of ratepayers receive rebates in excess of the ratio determination by the minister in accordance with the Municipal Property rates Act, the municipality thereby forgoes revenue in addition to rebates allowed in terms of the act.
- A rebate will be granted to Ratepayers in terms of the Property Rates Policy exempting this category of consumer from paying for rates on the first R85, 000 of valuation.
- The following conditions apply to the granting of the rebates
- ✓ The rate-able property concerned must be occupied only by the applicant and his/her spouse.

- ✓ The applicant must submit proof of his/her age and identity and also proof of the annual income, or disability.
- ✓ The property must be utilized for residential purposes or in the case of agricultural properties for bona-fide farming activities.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 2.2% increase payable from 1 July 2018 are contained below.

Table 5 Comparison of proposed rates 2018/2019 to that levied for 2017/2018

Knysna Municipality Main Tariff Structure				
Service Description	Current Tariffs 2017/18	Proposed Tariffs 2018/19	Difference (R/c)	Increase
Property Rates:			-	
Residential Rate in a rand	0.007738	0.00711896	(0.0006)	-8%
Property Valued at R350 000	145.09	148.31	3.22	2%
Property Valued at R 1 500 000	812.49	830.55	18.06	2%

Sale of Water and Impact of Tariff Increases

The Western Cape and more particular Knysna Municipality faces similar challenges with regard to water supply as was the case with electricity in the country, certain parts of the country and western cape was faced with some of the highest temperatures ever recorded and the drought still has its grip in the province. It is therefore of essence that water tariffs are designed to curb wastage, to protect the valuable resource and to be cost reflective. The municipality must ensure that water complies with all applicable quality standards which also adds to the cost of rendering the service. The water tariff structure must therefore ensure that:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification or treatment plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A tariff increase of 7.7% from 1 July 2018 for water is proposed where the principle of higher consumption at a higher rate is applied. This is based on input cost assumptions inclusive of the increase in the cost of bulk water from Department of Water, increased wage bill of 7.5% and the cost of other inputs increasing by between 6% and 8%.

Free basic water will be provided to indigent consumers as well as pensioners qualifying for a rebate on assessment rates subject to the conditions as set out in the assessment rates tariff at 6 kℓ water per month.

The municipality cannot afford to provide free basic water to all the residents as the equitable share allocation to subsidize free basic services is insufficient to cover the cost thereof.

A summary of the proposed basic tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

Consumer Category	2017/2018	Proposed 218/2019	Increase/Decrease	%
Residential - Indigent	0	0	-	0
Residential	148,68	160,23	I	7,77
Cluster	148,68	160,23	I	7,77
Commercial/Business	300,37	320,46	I	6,69
Industry	300,37	320,46	I	6,69
Farms	300,37	320,46	I	6,69
Government/Institution	300,37	320,46	I	6,69
Parks	300,37	320,46	I	6,69
Other	300,37	320,46	I	6,69

The following table shows the impact of the proposed increases in water tariffs on the tariff volumetric charges.

Water Tariff Volumetric			
	Lower bound (kℓ)	Upper bound (kℓ)	Tariff (R/ kℓ)
Residential Indigent	> 0	<= 6	0,00
	> 6	<= 12	11,34
	> 12	<= 25	18,72
	> 25	<= 40	28,07
	> 40	No Limit	42,11
	> 0	<= 12	11,34
	> 12	<= 25	18,72
	> 25	<= 40	28,07
	> 40	No Limit	42,11
Commercial	> 0	<= 24	15,88
	> 24	<= 50	20,64
	> 50	<= 100	26,84
	> 100	No Limit	29,52

The proposed water tariffs are still well within the benchmark and compares favorably with that of other municipalities in the Eden District.

Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure, a 7.32% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2018.

Upon considering all the cost elements that make up the cost of electricity such as labour, maintenance, materials, fuel as well as vehicles and the rental of equipment in accordance with the formula provided by NERSA, the average tariff increase should be 6.84% for municipal customers as per guideline provided by NERSA. The high electricity prices has resulted in a downward trend in the average consumption patterns of consumers in an attempt to mitigate the effect of the increased cost of electricity resulting in a negative impact on the municipal electricity revenue. Considering the lower increase for the final draft budget it is anticipated that consumption patterns will be similar as that of the current financial year.

Free electricity to registered indigents will be granted at 50 units as per the national norm and allowed in accordance with the equitable share grant to municipalities, Pensioners qualifying for assessment rates rebate will also be given the first 50 units of electricity free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 7 Comparison current vs. new electricity charges

Knysna Municipality Main Tariff Structure				
Service Description	Current Tariffs 2017/18	Proposed Tariffs 2018/19	Difference (R/c)	Increase
Electricity:			-	
30 Amp			-	
Basic	2.21	2.38	0.17	8%
1 KhW consumption	0.9535	1.3043	0.3508	37%
e.g: Consumption of 300 KhW =300*0.9535	286	391	105	37%
60 Amp			-	
Basic	4.18	4.51	0.33	8%
1 KhW consumption	0.9535	1.3043	0.3508	37%
e.g: Consumption of 500 KhW =500*0.9535	476.75	652.15	175.4000	37%

Sanitation and Impact of Tariff Increases

The increase in tariff is necessary to ensure that service delivery standards are met and to secure the long term sustainability of the service over the medium term. The increase in operational cost which includes the rising wage cost, the increase in electricity used in purification and pumping processes, the increase in fuel prices and the general increase in the price of goods and services also contributes to the higher tariff necessary to ensure the financial sustainability of the service. It must also be emphasized that the municipality must ensure that purification processes complies with quality standards and that green drop status is achieved in the near future.

The study to determine cost reflective tariffs have been completed, also considering alternative approaches in tariff setting yet the results thereof has indicated that in order to change the tariff structure to one where sewer charges are determined as a percentage of water consumption, the bulk of the households of which a large percentage fall in the lower income categories would be overburdened by tariff increases exceeding 45% per annum, in comparison to only 7.2% benefitting through a reduction in sewer charges.

Further consideration must be given to the fact that sewer charges based on a percentage of water consumption is in the time of drought and impending water restrictions not a financially viable option, as a significant reduction in consumption of water may have a devastating impact on revenue for both water and sanitation services alike. A change in the tariff methodology for sanitation services is therefore at this time not regarded as being feasible for the MTREF.

Table 8 Comparison between current sanitation charges and increases

Knysna Municipality Main Tariff Structure				
Service Description	Current Tariffs 2017/18	Proposed Tariffs 2018/19	Difference (R/c)	Increase
Sanitation:				
monthly billing	81.50	147.20	65.70	80.6%
annual billing	978.01	1,766.40	788.39	80.6%

Waste Removal and Impact of Tariff Increases

Budget circular 66 and 67 state that municipalities should strive to budget for a moderate surplus in order to ensure that the required funding levels are maintained and to ensure that the provision for the rehabilitation of the land fill site is cash backed. Budget Circular 89 again emphasizes the fact that tariffs should cover the cost of services and therefore a tariff study will be undertaken from July 2018 to establish and ensure full cost recovery of the refuse service through application of user tariffs. In order to attain a position where tariffs will cover the full cost of the service, above the norm tariff increases for refuse removal will be imminent, the table hereunder illustrates the tariff increases that will be necessary to achieve this position over a 5 year horizon.

The Municipality is in a unfortunate position that the landfill sites has no more remaining lifespan and the cost relating to the provision for rehabilitation of the current sites needs to be cash backed in preparation for the closure and rehabilitation. The increase in littering and illegal dumping is adding to the cost of the cleansing service and the ageing plant and equipment needs to be replaced over the remainder of the MTREF, the municipality therefore has no alternative but to apply the tariff increases as alluded to in the table above over the next five financial years.

The following table compares current and proposed amounts payable from 1 July 2018:

Table 9 Comparison between current waste removal fees and increases

Knysna Municipality Main Tariff Structure				
Service Description	Current Tariffs 2017/18	Proposed Tariffs 2018/19	Difference (R/c)	Increase
Waste Removal	1,090.00	1,157.84	67.84	6.2%

Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7% and 8.5% with the exception of the water and electricity tariffs where the increase is only above the norm where the higher intervals of the sliding scale is reached. The increase for indigent households will of course be limited due to the basket of free basic services being subsidized.

Table 10 MBRR Table SA14 – Household bills

WC048 Knysna - Supporting Table SA14 Household bills

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19 % incr.	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		260.20	279.72	334.67	305.45	305.45	305.45	1.3%	309.52	328.09	347.78
Electricity: Basic levy		73.20	86.80	94.96	113.67	113.67	113.67	5.9%	120.37	128.60	137.38
Electricity: Consumption		1,173.00	1,249.06	1,443.26	1,798.16	1,798.16	1,798.16	5.9%	1,904.27	2,034.33	2,173.27
Water: Basic levy		121.93	131.07	148.11	148.67	148.67	148.67	6.8%	158.84	168.37	178.47
Water: Consumption		350.16	376.24	425.20	640.69	640.69	640.69	30.3%	834.78	885.13	938.09
Sanitation		58.41	62.79	70.96	71.52	71.52	71.52	138.6%	170.67	180.91	191.76
Refuse removal		58.19	57.90	65.42	79.70	79.70	79.70	4.4%	83.20	88.19	93.48
Other											
sub-total		2,095.09	2,243.58	2,582.58	3,157.85	3,157.85	3,157.85	13.4%	3,581.65	3,813.61	4,060.23
		239.24	256.88	274.94	314.71	314.71	314.71	15.0%	537.25	572.04	609.03
Total large household bill:		2,334.33	2,500.46	2,857.52	3,472.56	3,472.56	3,472.56	18.6%	4,118.90	4,385.66	4,669.27
% increase/decrease			7.1%	14.3%	21.5%	-	-		18.6%	6.5%	6.5%
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		161.37	173.47	186.48	203.63	203.63	203.63	1.3%	206.35	218.73	231.85
Electricity: Basic levy		87.00	73.20	86.80	60.10	60.10	60.10	5.9%	63.64	67.99	72.63
Electricity: Consumption		463.75	494.00	527.93	761.54	761.54	761.54	5.9%	806.47	861.56	920.40
Water: Basic levy		113.44	121.93	131.07	148.67	148.67	148.67	6.8%	158.84	168.37	178.47
Water: Consumption		247.54	266.26	286.04	444.92	444.92	444.92	4.3%	463.91	491.74	521.09
Sanitation		54.09	58.41	62.79	71.52	71.52	71.52	138.6%	170.67	180.91	191.76
Refuse removal		53.87	58.19	57.90	79.70	79.70	79.70	4.4%	83.20	88.19	93.48
Other											
sub-total		1,181.06	1,245.46	1,339.01	1,770.07	1,770.07	1,770.07	10.3%	1,953.08	2,077.48	2,209.69
Total small household bill:		1,181.06	1,245.46	1,339.01	1,770.07	1,770.07	1,770.07	10.3%	1,953.08	2,077.48	2,209.69
% increase/decrease			5.5%	7.5%	32.2%	-	-		10.3%	6.4%	6.4%
Monthly Account for Household - 'Indigent'	3										
Household receiving free basic services											
Rates and services charges:											
Property rates		80.68	86.73	93.24	101.82	101.82	101.82	1.3%	103.17	109.36	115.93
Electricity: Basic levy		39.75	45.00	53.42	-	-	-	-	-	-	-
Electricity: Consumption		257.58	308.30	330.70	318.47	318.47	318.47	5.9%	337.27	360.30	384.91
Water: Basic levy		113.44	121.93	131.07	148.67	148.67	148.67	6.8%	158.84	168.37	178.47
Water: Consumption		169.47	182.36	195.84	249.16	249.16	249.16	4.3%	259.79	275.37	291.81
Sanitation		54.00	58.41	62.79	71.52	71.52	71.52	138.6%	170.67	180.91	191.76
Refuse removal		53.87	58.19	57.90	79.70	79.70	79.70	4.4%	83.20	88.19	93.48
Other											
sub-total		768.79	860.92	924.96	969.33	969.33	969.33	14.8%	1,112.94	1,182.51	1,256.36
		96.34	108.36	116.44	129.66	129.66	129.66	15.0%	166.94	177.38	188.45
Total small household bill:		865.13	969.28	1,041.40	1,098.99	1,098.99	1,098.99	16.5%	1,279.88	1,359.88	1,444.81
% increase/decrease			12.0%	7.4%	5.5%	-	-		16.5%	6.3%	6.2%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- Improvement in the quality of service delivery across all services.
- Balanced budget constraint (cash operating expenditure should not exceed cash operating revenue).
- The repairs and maintenance plan relating to the asset management strategy;
- Funding of the budget over the MTREF as informed by Section 18 and 19 of the MFMA;
- Reducing expenditure on non-core programmes;
- Implementing operational gains and efficiencies;
- **In the next budget the principle of no project plan no budget. If there is no business plan no funding allocation will be made; and**
- Taking cognisance of cost containment guidelines and assessing the status of current measures.

The following table is a high-level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

Table 11 Summary of operating expenditure by standard classification item

WC048 Knysna - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Expenditure By Type							
Employee related costs	2	220,119	239,827	239,827	254,199	266,110	280,487
Remuneration of councillors		8,302	8,942	8,942	8,653	9,120	9,612
Debt impairment	3	82,993	110,833	100,614	108,875	111,177	117,310
Depreciation & asset impairment	2	30,899	30,899	30,899	31,511	31,719	31,284
Finance charges		19,502	23,322	23,322	14,395	20,039	25,269
Bulk purchases	2	157,625	165,925	165,925	177,274	185,854	194,850
Other materials	8	31,746	47,976	47,976	50,292	73,861	40,880
Contracted services		29,676	160,086	160,086	173,343	151,786	155,244
Transfers and subsidies		2,280	8,415	8,415	3,150	2,792	2,792
Other expenditure	4, 5	228,839	58,180	58,180	56,568	58,683	60,493
Loss on disposal of PPE			-	-	-	-	-
Total Expenditure		811,980	854,405	844,186	878,261	911,140	918,221

The budgeted allocation for employee related costs for the 2018/19 financial year amount to R254,199 million which equals 28.94% of the total operating expenditure and within the NT norm of 25 – 35%. Of this total, the provisions relating to employee related costs amounts to R26,230 million of which the majority of the amount is a staff leave at R16,239 million. A serious effort must be taken to ensure that all staff take the compulsory leave on time in order to avoid this cost.

The current three year collective SALGBC salary agreement comes to an end on 30 June 2018. Salary increases, according to the agreement, were determined at 7.35% for the 2017/18 financial year, based on the average inflation for the period February 2016 to January 2017, with a minimum inflation rate of 5 plus 1%. The salary negotiations are currently underway for a salary determination as from 1 July 2018. The macro-economic forecast outlook, together with previous salary determinations was used as a tenable guideline for an increase in remuneration. This amounted to an estimate of 5.8% relating to a 7.35% increase, inclusive of notch increases. This percentage is still feasible as the Employer Organisation (SALGA) has a current position of a 5.9% increase.

In order to ensure economic viability and to not overstretch the already limited financial resources, and cash management strategy vacancies have been budgeted according to the current organizational structure. In accordance with the requirements of mSCOA, based on current organogram budgeting was done to ensure that staff that are not provided for on the approved organogram cannot be appointed. Where vacancies that are funded are not filled in the short term, temporary short term appointments may be considered against the available budget.

Due to the high cost associated with the filling of all positions on organizational structure, it was not possible to fund any of the positions in the proposed organizational structure. Once the organizational structure has been approved, vacancies will be budgeted and filled in a staggered manner, subject to sufficient funding being available over the MTREF. Meaning core service delivery positions, compliance and some critical positions are funded in the adjustments budget to be tabled in February 2019 and other support services positions will only be considered for funding in the following year as and when resources become available, also bearing in mind that the ratio in respect of this category of expenditure can simply not further increase.

Regulations have been promulgated, which provide for the Minister of Co-operative Governance to determine the total remuneration packages payable to any new employees to the posts of Municipal Manager and Section 57 Employees (Directors), with effect from 1 July 2014. The new upper limits determination for 1 July 2018 have not yet been promulgated, at is still at final draft at this stage and comments have closed. It is anticipated that the Minister will make a decision soon. For final draft budgeting purposes, the same increase of 5.8%, as for other employees has been factored into the budget.

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The proclamation with regard to the 2017/2018 increases was published during January 2018. No indication for 2018/19 has been received to date and therefore remuneration of councillors has been factored into the 2018/2019 budget at the same rate as the 2017/2018 determination.

The provision of debt impairment and write-off of bad debts for consumer accounts has been determined based on an annual collection rate of close to 90% and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R25.839million. Impairment for traffic fines, resulting from the implementation of IGRAP1, has been budgeted according to the trends from the three previous financial years and amounts to R83.035million.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R31.511million for the 2018/19 financial year and equates to 3.59% of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This resulted in a significant increase in depreciation relative to previous years.

Finance charges consist of the repayment of interest on long-term borrowing (cost of capital). Finance charges comprise 1.64% of operating expenditure. The gearing ratio of borrowing to revenue is expected to be 26% for 2018/19, which is below the outer proposed limit of National Treasury, and increase to 30% over the MTREF.

Bulk purchases amounts to R177.274 million and are directly informed by the purchase of electricity from Eskom. The proposals from the NERSA determination for Eskom, for a 7.32% bulk price increase to municipalities from the 1 July 2018 has been factored into the final draft budget appropriations and also directly inform tariff increase.

Other materials comprise amongst others the purchase of materials for maintenance, cleaning materials, fuel, printing and stationary, top structures for housing projects etc. The expenditure on top structures that fluctuates from year to year causes major discrepancies in the trend for this type of expenditure. This category of expenditure amount to R50,292 million.

In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. The introduction and reclassification resulting from mSCOA caused a shift in expenditure previously classified and budgeted under general expenses in relation to previous years' figures.

Contracted services have been identified as an area for the municipality to implement efficiencies. As part of the compilation of the 2018/19 MTREF this group of expenditure was critically evaluated and operational efficiencies will only be enforced once the organizational structure has been completed. In the 2018/19 financial year, this group of expenditure totals R173,393 million. The introduction and reclassification resulting from mSCOA has caused a shift in expenditure previously classified and budgeted under general expenses.

Other Expenditure comprises of various line items relating to the daily operations of the municipality. The introduction and reclassification resulting from mSCOA has caused a shift in expenditure previously classified and budgeted under general expenses to Inventory (materials) and contracted services. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. It is highlighted that the NT A Schedules, although revised, did not sufficiently reflect mSCOA classifications relating to types of expenditure.

The following table gives a breakdown of the major expenditure categories for the 2018/19 financial year.

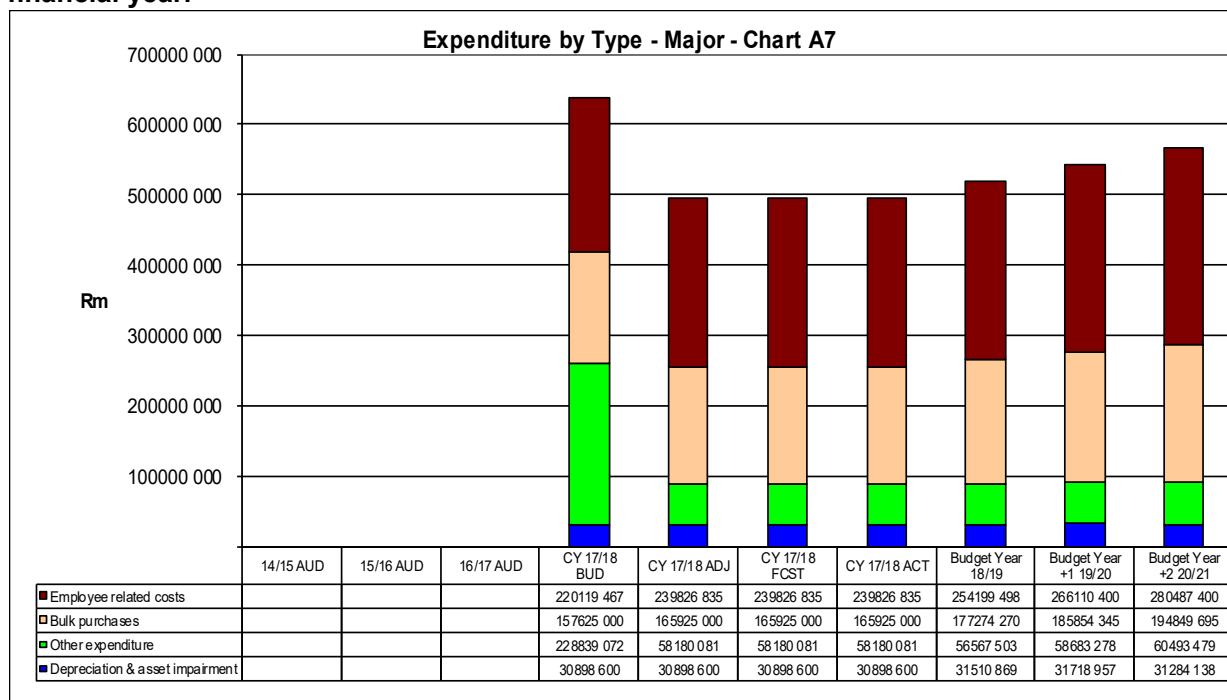


Figure 1 Main operational expenditure categories for the 2018/19 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for continuing in the area of asset

maintenance, as informed by the asset maintenance strategy and repairs and maintenance plan of the Municipality.

In order to ensure the health of the assets of the municipality and to prolong the useful lives, it is necessary to ensure that repairs and maintenance is adequately budgeted. Budget circular 66 cautions municipalities not to affect savings in repairs and maintenance to balance the budget but to ensure that sufficient budgetary allocation is made for this expenditure item.

The table below provides a breakdown of the repairs and maintenance in relation to asset classes:

Table 12 Repairs and maintenance per asset class

WC048 Knysna - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Repairs and maintenance expenditure by Asset Class/Sub-class							
Infrastructure		59,422	222,010	222,010	49,521	62,699	66,147
Roads Infrastructure		35,550	198,077	198,077	26,036	37,470	39,531
Roads		35,500	198,057	198,057	26,015	37,417	39,475
Capital Spares		50	20	20	21	53	56
Storm water Infrastructure		1,000	1,000	1,000	1,053	1,054	1,112
Drainage Collection		1,000	1,000	1,000	1,053	1,054	1,112
Electrical Infrastructure		4,655	4,073	4,073	4,233	4,906	5,176
HV Transmission Conductors		4,565	3,993	3,993	4,149	4,812	5,077
MV Networks		90	80	80	84	95	100
Water Supply Infrastructure		10,392	11,096	11,096	10,424	10,953	11,556
Pump Stations		607	607	607	639	639	674
Water Treatment Works		6,383	6,627	6,627	6,568	6,728	7,098
Capital Spares		3,403	3,863	3,863	3,217	3,586	3,783
Sanitation Infrastructure		7,015	6,934	6,934	6,901	7,394	7,801
Waste Water Treatment Works		6,936	6,854	6,854	6,817	7,310	7,712
Capital Spares		80	80	80	84	84	88
Solid Waste Infrastructure		810	830	830	874	921	972
Landfill Sites		100	120	120	126	133	141
Waste Transfer Stations		510	510	510	537	566	597
Waste Drop-off Points		200	200	200	211	222	234
Community Assets		3,757	3,848	3,848	3,131	3,734	3,768
Community Facilities		2,458	2,419	2,419	1,731	2,191	2,225
Halls		301	301	301	108	301	301
Fire/Ambulance Stations		100	100	100	93	103	109
Museums		118	112	112	118	124	131
Cemeteries/Crematoria		215	225	225	-	-	-
Police		345	302	302	288	311	329
Public Open Space		1,219	1,219	1,219	1,074	1,299	1,299
Public Ablution Facilities		160	160	160	50	53	56
Sport and Recreation Facilities		1,299	1,429	1,429	1,400	1,543	1,543
Outdoor Facilities		1,299	1,429	1,429	1,400	1,543	1,543
Other assets		2,891	3,011	3,011	1,050	2,402	2,525
Operational Buildings		2,251	2,371	2,371	693	2,031	2,142
Municipal Offices		1,829	1,829	1,829	124	1,585	1,673
Depots		422	542	542	569	445	470
Housing		640	640	640	357	371	383
Staff Housing		150	150	150	280	291	303
Social Housing		490	490	490	77	80	80
Computer Equipment		-	1,183	1,183	1,221	1,221	1,221
Computer Equipment			1,183	1,183	1,221	1,221	1,221
Furniture and Office Equipment		27	32	32	3	3	3
Furniture and Office Equipment		27	32	32	3	3	3
Transport Assets		5,000	4,948	4,948	4,948	5,215	5,502
Transport Assets		5,000	4,948	4,948	4,948	5,215	5,502
Land		228	223	223	229	242	255
Land		228	223	223	229	242	255
Total Repairs and Maintenance Expenditure	1	71,325	235,255	235,255	60,102	75,515	79,421
R&M as a % of PPE		6.3%	22.1%	22.1%	5.1%	5.9%	5.8%
R&M as % Operating Expenditure		8.8%	27.5%	27.9%	6.8%	8.6%	8.7%

During the compilation of the 2018/19 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure. As part of the 2018/19 MTREF this strategic imperative remains a priority. In relation to the total operating expenditure, repairs and maintenance is at 6.8% of the total budget expenditure and increase to 8.3 and 8.6% respectively in the outer two years of the MTREF

For the 2018/19 financial year, 6.8% or R 60,102 million of the total expenditure. Of this amount of total repairs and maintenance R49,521 million will be spent on infrastructure assets. Electricity infrastructure has received 8.55% (R4,233 million), road infrastructure receives the bulk being 52.58% (26,036 million) sanitation 13.94% (R6,901million) and water 21.05% (R10,424 million). Community assets have been allocated R 3,131million of total repairs and maintenance equating to 5.21%.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are indigent/poor or face other circumstances that limit their ability to pay for services. To receive these free/subsidised services the households are required to register in terms of the Municipality's Indigent Policy. The budgeted indigent households for 2018/19 is estimated at 5345 and will be reviewed monthly.

The following is an extract from NT Budget Circular 85:

"The change in the treatment of cost of free basic services indicates that municipalities must not disclose the support to indigents on table SA21 "Transfers and grants". The change in the treatment of free basic services has been fully implemented during the 2017/2018 financial year.

Details relating to free services and basic service delivery measurement is contained in SA1.

The cost of the social package of the registered indigent households is fully covered by the local government equitable share received in terms of the annual Division of Revenue Act and that portion relating to a specific service has been apportioned as revenue to that specific service.

The estimated expenditure on free and subsidized services, inclusive of assessment rate rebates will exceed R 44 million for the 2018/2019 financial year. The performance on delivery of housing is adding to the quantum of subsidized services as the bulk of new customers qualify to be subsidized. A significant burden is placed on revenue streams as the revenue base is not growing sufficiently to sustain the growing number of free services.

Tourism will from the 1 July 2018 no longer be funded by means of a transfer – This function has been incorporated in contracted services.

The policy for Grants-in-aid to organisations has been revised and approved by Council. Submissions for grant-in-aid will have to be advertised and awarded before the final draft budget for 2019/20 financial year in order to be known, incorporated and published with the budget.

Table 13 MBRR Table SA21 – Transfers and grants made by the municipality

WC048 Knysna - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
Cash Transfers to Entities/Other External Mechanisms							
<i>Insert description</i>	2						
Grants-in-aid Tourism		-	4,000	4,000	-	-	-
Grant - WCPA (FMCBG)					-	-	-
Grant - University of Stellenbosch		-	150	150	-	-	-
Total Cash Transfers To Entities/Ems'		-	4,150	4,150	-	-	-
Cash Transfers to Groups of Individuals							
<i>Contribution to LIRA - 313150187336</i>		45	45	45	30	32	32
<i>Contribution to Animal Welfare - 313150187339</i>		500	500	500	500	500	500
<i>Grant in Aid and Donations</i>		1,000	1,000	1,000	1,500	1,500	1,500
<i>Contribution to Disaster relief - 313150187359</i>		75	75	75	-	-	-
<i>Mayoral Bursary Scheme - 313150187392</i>		500	500	500	600	600	600
<i>GIA: Nature Reserves - 313150187344</i>		150	150	150	150	150	150
<i>Grants-in-Aid Sedge Isle Conse</i>		10	10	10	10	10	10
<i>Grant - WCPA (FMCBG)</i>		240	240	240	360	-	-
<i>Community Based Initiative Ward 11</i>		50	50	50	-	-	-
<i>Community Based Initiative Ward 7</i>		50	50	50	-	-	-
<i>Community Based Initiative Ward 5</i>		50	50	50	-	-	-
<i>Community Based Initiative Ward 1</i>		50	350	350	-	-	-
<i>Community Based Initiative Ward 8</i>		50	50	50	-	-	-
<i>Community Based Initiative Ward 6</i>		50	50	50	-	-	-
<i>Community Based Initiative Ward 9</i>		50	400	400	-	-	-
<i>Community Based Initiative Ward 2</i>		50	50	50	-	-	-
<i>Community Based Initiative Ward 3</i>		50	145	145	-	-	-
<i>Community Based Initiative Ward 4</i>		50	150	150	-	-	-
<i>Community Based Initiative Ward 10</i>		50	400	400	-	-	-
Total Cash Transfers To Groups Of Individuals:		3,070	4,265	4,265	3,150	2,792	2,792
TOTAL CASH TRANSFERS AND GRANTS	6	3,070	8,415	8,415	3,150	2,792	2,792
TOTAL TRANSFERS AND GRANTS	6	3,070	8,415	8,415	3,150	2,792	2,792

1.6 Capital expenditure: The following table provides a breakdown of budgeted capital expenditure by vote:

Table 14 2018/19 Medium-term capital budget per vote

WC048 Knysna - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote							
Multi-year expenditure to be appropriated	2						
Vote 1 - Executive & Council		-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	1,000	-	-
Vote 3 - Financial Services		2,160	2,443	2,443	1,150	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-
Vote 5 - Planning & Development		22,014	35,744	35,744	-	-	-
Vote 6 - Community Services		15,617	14,884	14,884	17,351	1,851	-
Vote 7 - Electrical Services		13,429	15,122	15,122	11,300	11,600	11,500
Vote 8 - Technical Services		50,470	47,990	47,990	58,960	49,630	62,389
Capital multi-year expenditure sub-total	7	103,689	116,182	116,182	89,760	63,081	73,889
Single-year expenditure to be appropriated	2						
Vote 1 - Executive & Council		3,860	2,677	2,677	-	-	-
Vote 2 - Corporate Services		-	10	10	56	56	56
Vote 3 - Financial Services		410	2,616	2,616	1,000	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-
Vote 5 - Planning & Development		-	1,056	1,056	10,140	-	-
Vote 6 - Community Services		15,590	13,901	13,901	3,690	6,208	1,574
Vote 7 - Electrical Services		10,465	13,439	13,439	15,294	21,742	8,331
Vote 8 - Technical Services		3,498	16,718	16,718	30,801	33,373	30,064
Capital single-year expenditure sub-total		33,823	50,418	50,418	60,981	61,378	40,025
Total Capital Expenditure - Vote		137,512	166,599	166,599	150,742	124,459	113,914
Capital Expenditure - Functional							
<i>Governance and administration</i>		10,350	7,746	7,746	3,346	56	56
Executive and council		3,860	2,677	2,677	-	-	-
Finance and administration		6,490	5,069	5,069	3,346	56	56
Internal audit		-	-	-	-	-	-
<i>Community and public safety</i>		40,131	59,885	59,885	29,511	7,459	974
Community and social services		16,117	18,993	18,993	17,451	3,051	174
Sport and recreation		2,000	2,785	2,785	1,400	4,408	800
Public safety		-	1,306	1,306	660	-	-
Housing		22,014	36,800	36,800	10,000	-	-
Health		-	-	-	-	-	-
<i>Economic and environmental services</i>		14,253	4,903	4,903	19,350	12,330	13,084
Planning and development		-	-	-	250	-	-
Road transport		14,253	4,903	4,903	19,100	12,330	13,084
Environmental protection		-	-	-	-	-	-
<i>Trading services</i>		72,778	94,066	94,066	98,535	104,614	99,800
Energy sources		23,894	28,561	28,561	26,594	33,342	19,831
Water management		26,132	43,749	43,749	42,919	55,319	59,324
Waste water management		19,553	16,056	16,056	27,492	15,353	20,045
Waste management		3,200	5,700	5,700	1,530	600	600
<i>Other</i>		-	-	-	-	-	-
Total Capital Expenditure - Functional	3	137,512	166,599	166,599	150,742	124,459	113,914
Funded by:							
National Government		32,578	31,620	31,620	42,056	33,001	28,603
Provincial Government		25,523	46,515	46,515	11,360	56	56
District Municipality		-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-
Transfers recognised - capital	4	58,101	78,136	78,136	53,416	33,057	28,659
Public contributions & donations	5	-	-	-	-	-	-
Borrowing	6	38,570	35,033	35,033	50,196	45,373	50,324
Internally generated funds		40,842	53,431	53,431	47,130	46,030	34,930
Total Capital Funding	7	137,512	166,599	166,599	150,742	124,459	113,914

An amount of R 68,331million has been appropriated for the upgrade of infrastructure which represents the bulk of the capital budget for 2018/2019. New assets represent R 42,592 million of the total capital budget while asset renewal (R39,818 million) makes up the remainder. Following a list of projects to be undertaken over the medium-term.

Top 30 Capital Projects

WC048 Knysna - Supporting Table SA36 Detailed capital budget

Municipal Vote/Capital project	Ref	Program/Project description	Project number	Asset Class	Asset Sub-Class	Medium Term Revenue & Expenditure			Project information
						Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
R thousand	4		Audited Actual	3	3				Ward location
Vote 7 - Electrical Services		Hornlee / Oupad power upgrade	28-76-80-27-9080	Electrical Infrastructure	MV Switching Stations	3 000	2 000	2 000	
Vote 7 - Electrical Services		Electrification Informal Settlement	28-76-85-27-8001	Electrical Infrastructure	LV Networks	3 000	2 000	2 000	
Vote 7 - Electrical Services		Electrification - housing (INEP)	28-76-84-27-9060	Electrical Infrastructure	LV Networks	6 087	7 235	2 783	Ward 1, 4, 7
Vote 7 - Electrical Services		Grant - National Government (EEDSMG)	28-76-84-20-8027	Electrical Infrastructure	LV Networks	5 217	5 217	4 348	
Vote 7 - Electrical Services		Prepaid Conversion	28-76-80-27-8057	Electrical Infrastructure	Capital Spares	2 000	3 000	4 300	
Vote 8 - Technical Services		Surface Gravel Roads (Protea Str)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 5
Vote 8 - Technical Services		Surface Gravel Roads (Neddicky, Bosbou)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 2
Vote 8 - Technical Services		Surface Gravel Roads (Ward 3)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 3
Vote 8 - Technical Services		Surface Gravel Roads (Thula, Sputumani, Flenter, Greenfields)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 4
Vote 8 - Technical Services		Surface Gravel Roads (Murray, Pine, Watson, Keurboom)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 5
Vote 8 - Technical Services		Surface Gravel Roads (Ward 7)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 7
Vote 8 - Technical Services		Surface Gravel Roads (Barley Setosho, Toni September)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 8
Vote 8 - Technical Services		Surface Gravel Roads (Ward 2)	28-88-85-20-9010	Roads Infrastructure	Roads	2 200	1 260	1 260	Ward 2
Vote 8 - Technical Services		Upgrade Knysna Waste Water Treatment Works	28-89-80-31-0085	Sanitation Infrastructure	Waste Water Treatment Works	10 402	3 467	3 467	
Vote 8 - Technical Services		MIG196405 Charlesford PIScheme - Ward 5 - 289284320103	28-92-84-32-0103	Water Supply Infrastructure	Pump Stations	11 432	5 860	12 447	Ward 5
Vote 8 - Technical Services		Upgr pumping scheme Charlesford	28-93-80-32-4009	Water Supply Infrastructure	Pump Stations	2 392	8 392	8 392	
Vote 8 - Technical Services		Charlesford Bulk Raw Water Supply Phase 3B	28-93-80-32-3018	Water Supply Infrastructure	Bulk Mains	6 994	10 784	11 595	
Vote 8 - Technical Services		MIG N NE Bulk Water Supply Phase 2C	28-93-84-32-4007	Water Supply Infrastructure	Distribution Points	3 886	3 043	3 170	
Vote 8 - Technical Services		New Machinery and Equipment	28-93-85-40-6099	Water Supply Infrastructure	Capital Spares	3 000	5 000	3 000	
Parent Capital expenditure	1					150 742	124 459	113 914	
Total Capital expenditure						150 742	124 459	113 914	

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

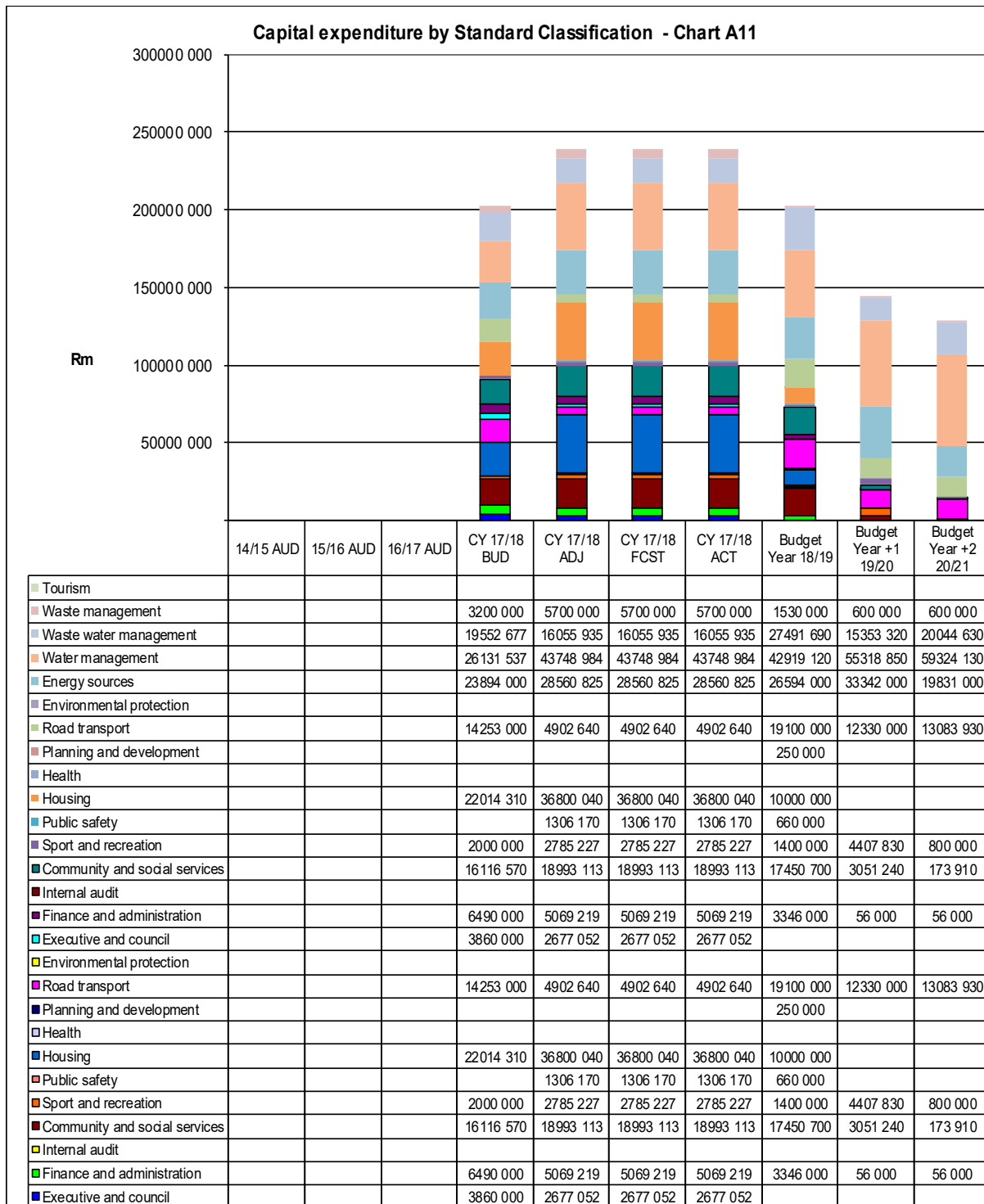


Figure 2 Capital Infrastructure Programme

1.7 Future operational cost of new infrastructure

A long term financial plan implementation policy has been developed to encompass costs over the long term. It needs to be noted that as part of the 2018/19 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.8 Annual Budget Tables

The following twenty pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/19 final draft budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

WC048 Knysna - Table A1 Budget Summary

Description	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands						
<u>Financial Performance</u>						
Property rates	200,734	205,069	205,069	215,403	227,864	241,342
Service charges	344,605	337,057	351,584	386,212	412,426	440,584
Investment revenue	9,700	11,200	11,200	11,760	11,760	11,760
Transfers recognised - operational	140,596	134,896	134,896	153,822	147,811	121,065
Other own revenue	117,523	140,920	140,920	147,347	154,081	162,221
Total Revenue (excluding capital transfers and contributions)	813,158	829,143	843,670	914,544	953,942	976,973
Employee costs	220,119	239,827	239,827	254,199	266,110	280,487
Remuneration of councillors	8,302	8,942	8,942	8,653	9,120	9,612
Depreciation & asset impairment	30,899	30,899	30,899	31,511	31,719	31,284
Finance charges	19,502	23,322	23,322	14,395	20,039	25,269
Materials and bulk purchases	189,371	213,901	213,901	227,567	259,715	235,729
Transfers and grants	2,280	8,415	8,415	3,150	2,792	2,792
Other expenditure	341,508	329,100	318,880	338,786	321,645	333,047
Total Expenditure	811,980	854,405	844,186	878,261	911,140	918,221
Surplus/(Deficit)	1,177	(25,263)	(516)	36,284	42,803	58,752
Transfers and subsidies - capital (monetary allocation)	58,101	80,098	80,098	53,360	33,000	28,603
Contributions recognised - capital & contributed assets	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	59,278	54,835	79,582	89,643	75,803	87,355
Share of surplus/ (deficit) of associate	-	-	-	-	-	-
Surplus/(Deficit) for the year	59,278	54,835	79,582	89,643	75,803	87,355
<u>Capital expenditure & funds sources</u>						
Capital expenditure	137,512	166,599	166,599	150,742	124,459	113,914
Transfers recognised - capital	58,101	78,136	78,136	53,416	33,057	28,659
Public contributions & donations	-	-	-	-	-	-
Borrowing	38,570	35,033	35,033	50,196	45,373	50,324
Internally generated funds	40,842	53,431	53,431	47,130	46,030	34,930
Total sources of capital funds	137,512	166,599	166,599	150,742	124,459	113,914
<u>Financial position</u>						
Total current assets	268,125	212,995	237,741	262,108	293,997	356,336
Total non current assets	1,282,677	1,191,675	1,191,675	1,310,906	1,403,646	1,486,275
Total current liabilities	150,512	164,396	164,396	177,151	191,071	206,268
Total non current liabilities	259,247	287,624	287,624	328,823	363,729	406,147
Community wealth/Equity	1,141,044	952,650	977,396	1,067,040	1,142,842	1,230,197
<u>Cash flows</u>						
Net cash from (used) operating	143,546	100,116	100,116	117,400	107,924	120,325
Net cash from (used) investing	(137,012)	(163,367)	(163,367)	(146,687)	(121,635)	(110,946)
Net cash from (used) financing	25,183	21,639	21,639	34,229	27,489	34,570
Cash/cash equivalents at the year end	107,284	66,601	66,601	72,169	85,946	129,896
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	134,414	96,950	97,569	102,511	116,289	160,239
Application of cash and investments	77,655	70,053	53,035	47,575	44,585	43,766
Balance - surplus (shortfall)	56,759	26,897	44,534	54,937	71,704	116,473
<u>Asset management</u>						
Asset register summary (WDV)	1,253,584	1,278,313	1,278,313	1,429,055	1,553,514	1,667,428
Depreciation	30,899	30,899	30,899	32,041	32,164	31,262
Renewal of Existing Assets	53,462	36,554	36,554	39,818	28,241	38,797
Repairs and Maintenance	71,325	235,255	235,255	60,102	75,515	79,421
<u>Free services</u>						
Cost of Free Basic Services provided	14,398	14,527	14,527	13,509	14,366	15,287
Revenue cost of free services provided	63,729	19,956	19,956	24,321	25,756	27,250
<u>Households below minimum service level</u>						
Water:	2	2	-	1	1	1
Sanitation/sewage:	1	1	-	1	1	1
Energy:	1	1	-	0	0	0
Refuse:	2	2	-	2	2	2

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's service delivery and commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive and stable indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that the cash increases over the MTREF.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification)

WC048 Knysna - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Revenue - Functional							
<i>Governance and administration</i>		239,940	247,917	247,917	267,393	267,502	282,008
Executive and council		14,022	14,022	14,022	13,401	13,168	14,212
Finance and administration		225,918	233,895	233,895	253,993	254,334	267,796
Internal audit		-	-	-	-	-	-
<i>Community and public safety</i>		90,361	101,062	101,062	82,004	60,673	23,001
Community and social services		14,066	15,801	15,801	15,533	14,624	11,307
Sport and recreation		1,924	1,924	1,924	1,418	1,492	1,569
Public safety		127	1,277	1,277	81	85	90
Housing		74,244	82,060	82,060	64,972	44,471	10,035
Health		-	-	-	-	-	-
<i>Economic and environmental services</i>		111,094	122,527	122,527	120,753	125,916	132,901
Planning and development		14,087	15,520	15,520	5,587	4,736	5,056
Road transport		97,007	107,007	107,007	115,165	121,180	127,845
Environmental protection		-	-	-	-	-	-
<i>Trading services</i>		429,863	437,735	437,735	497,754	532,851	567,666
Energy sources		248,672	251,483	251,483	290,125	312,073	328,134
Water management		110,015	110,581	110,581	116,878	116,192	131,167
Waste water management		33,476	37,621	37,621	45,557	56,156	56,421
Waste management		37,700	38,050	38,050	45,194	48,429	51,944
<i>Other</i>	4	-	-	-	-	-	-
Total Revenue - Functional	2	871,258	909,241	909,241	967,904	986,942	1,005,576
Expenditure - Functional							
<i>Governance and administration</i>		185,831	195,393	195,393	164,320	169,999	173,627
Executive and council		49,495	54,689	54,689	29,339	30,101	31,114
Finance and administration		130,837	138,195	138,195	131,497	136,752	139,280
Internal audit		5,500	2,510	2,510	3,484	3,147	3,234
<i>Community and public safety</i>		135,854	128,207	128,207	143,245	134,907	104,636
Community and social services		27,038	27,126	27,126	28,201	30,043	31,484
Sport and recreation		17,295	17,043	17,043	17,947	19,114	19,816
Public safety		16,702	17,303	17,303	28,484	30,245	31,852
Housing		68,085	59,454	59,454	68,612	55,505	21,484
Health		6,734	7,281	7,281	-	-	-
<i>Economic and environmental services</i>		156,260	174,642	174,642	189,742	204,656	215,883
Planning and development		18,490	18,519	18,519	32,974	30,898	32,515
Road transport		135,082	150,585	150,585	150,263	168,145	177,895
Environmental protection		2,689	5,538	5,538	6,505	5,614	5,473
<i>Trading services</i>		330,035	356,163	356,163	380,955	401,577	424,075
Energy sources		180,778	204,202	204,202	216,033	228,974	239,781
Water management		70,359	73,799	73,799	72,734	76,437	83,088
Waste water management		44,518	38,247	38,247	42,043	46,437	48,831
Waste management		34,380	39,916	39,916	50,145	49,729	52,374
<i>Other</i>	4	4,000	-	-	-	-	-
Total Expenditure - Functional	3	811,980	854,405	854,405	878,261	911,140	918,221
Surplus/(Deficit) for the year		59,278	54,835	54,835	89,643	75,803	87,355

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by functional classification) - mSCOA – Function/Sub Function

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per functional classification. The modified GFS functional classification, now Function/Sub Function, divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised: capital) and so does not balance to the operating revenue shown on Table A4.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

WC048 Knysna - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue by Vote	1						
Vote 1 - Executive & Council		13,966	14,022	14,022	13,401	13,168	14,212
Vote 2 - Corporate Services		4,199	4,146	4,146	4,417	4,643	4,881
Vote 3 - Financial Services		217,742	238,077	238,077	237,576	249,691	262,915
Vote 4 - Strategic Services		-	-	-	-	-	-
Vote 5 - Planning & Development		88,331	86,489	86,489	81,330	47,807	13,545
Vote 6 - Community Services		153,000	166,338	166,338	177,306	185,811	192,520
Vote 7 - Electrical Services		248,672	251,483	251,483	290,125	312,073	328,134
Vote 8 - Technical Services		145,348	148,686	148,686	163,750	173,749	189,369
Total Revenue by Vote	2	871,258	909,241	909,241	967,904	986,942	1,005,576
Expenditure by Vote to be appropriated	1						
Vote 1 - Executive & Council		42,055	56,354	56,354	37,828	38,250	39,619
Vote 2 - Corporate Services		30,041	47,659	47,659	38,411	38,774	40,151
Vote 3 - Financial Services		61,358	82,122	82,122	72,090	76,513	76,559
Vote 4 - Strategic Services		-	-	-	-	-	-
Vote 5 - Planning & Development		100,020	85,012	85,012	101,277	84,369	51,351
Vote 6 - Community Services		193,481	210,746	210,746	228,797	240,696	253,089
Vote 7 - Electrical Services		185,938	202,737	202,737	219,254	232,356	243,336
Vote 8 - Technical Services		199,087	169,776	169,776	180,604	200,181	214,117
Total Expenditure by Vote	2	811,980	854,405	854,405	878,261	911,140	918,221
Surplus/(Deficit) for the year	2	59,278	54,835	54,835	89,643	75,803	87,355

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) – mSCOA – Own Segment

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per own segment: municipal vote (directorate). This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised: capital) and so does not balance to the operating revenue shown on Table A4.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

WC048 Knysna - Table A4 Budgeted Financial Performance (revenue and expenditure)

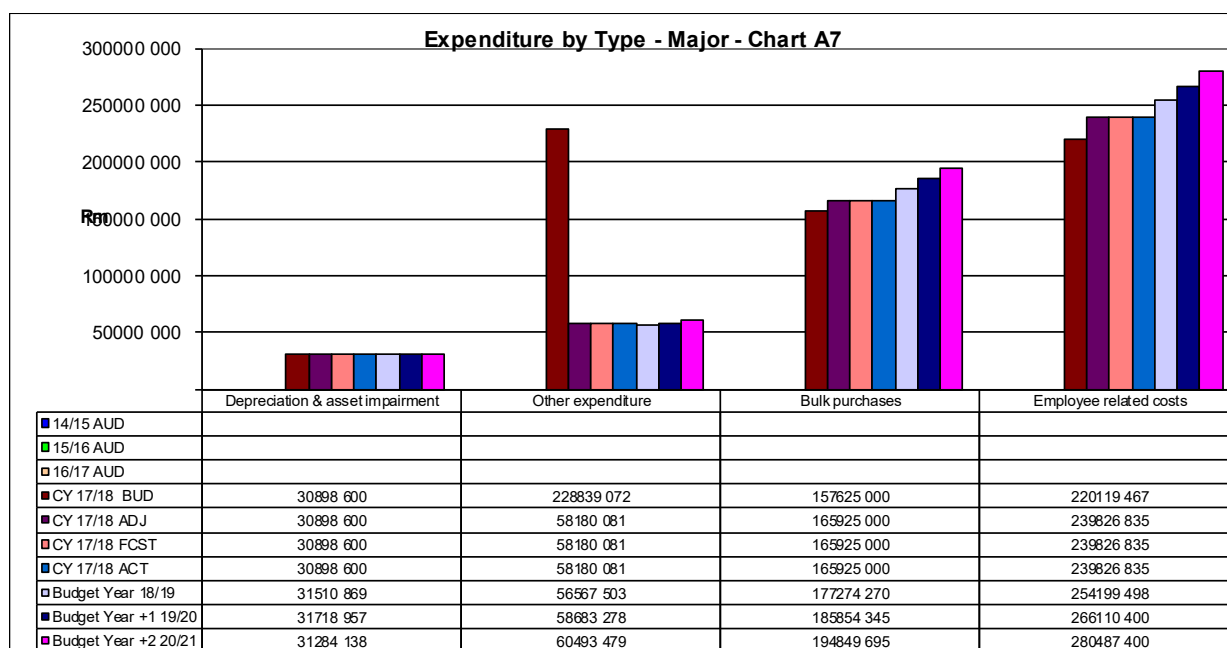
Description		Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
Revenue By Source								
Property rates	2	200,734	205,069	205,069	215,403	227,864	241,342	
Service charges - electricity revenue	2	233,235	233,754	238,282	250,865	269,228	288,936	
Service charges - water revenue	2	71,324	66,681	74,230	79,542	84,155	89,121	
Service charges - sanitation revenue	2	14,034	15,639	16,776	29,482	31,192	33,032	
Service charges - refuse revenue	2	21,033	20,983	22,296	26,323	27,851	29,496	
Service charges - other		4,979	-	-	-	-	-	
Rental of facilities and equipment		6,328	6,328	6,328	6,657	7,003	7,367	
Interest earned - external investments		9,700	11,200	11,200	11,760	11,760	11,760	
Interest earned - outstanding debtors		3,541	11,477	11,477	12,074	12,702	13,362	
Dividends received		-	-	-	-	-	-	
Fines, penalties and forfeits		98,429	105,030	105,030	110,597	116,458	122,631	
Licences and permits		1,482	1,492	1,492	1,572	1,654	1,742	
Agency services		2,763	2,763	2,763	2,909	3,066	3,235	
Transfers and subsidies		140,596	134,896	134,896	153,822	147,811	121,065	
Other revenue	2	4,480	13,330	13,330	12,538	13,198	13,884	
Gains on disposal of PPE		500	500	500	1,000	-	-	
Total Revenue (excluding capital transfers and contributions)		813,158	829,143	843,670	914,544	953,942	976,973	
Expenditure By Type								
Employee related costs	2	220,119	239,827	239,827	254,199	266,110	280,487	
Remuneration of councillors		8,302	8,942	8,942	8,653	9,120	9,612	
Debt impairment	3	82,993	110,833	100,614	108,875	111,177	117,310	
Depreciation & asset impairment	2	30,899	30,899	30,899	31,511	31,719	31,284	
Finance charges		19,502	23,322	23,322	14,395	20,039	25,269	
Bulk purchases	2	157,625	165,925	165,925	177,274	185,854	194,850	
Other materials	8	31,746	47,976	47,976	50,292	73,861	40,880	
Contracted services		29,676	160,086	160,086	173,343	151,786	155,244	
Transfers and subsidies		2,280	8,415	8,415	3,150	2,792	2,792	
Other expenditure	4, 5	228,839	58,180	58,180	56,568	58,683	60,493	
Loss on disposal of PPE			-	-	-	-	-	
Total Expenditure		811,980	854,405	844,186	878,261	911,140	918,221	
Surplus/(Deficit)		1,177	(25,263)	(516)	36,284	42,803	58,752	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		58,101	80,098	80,098	53,360	33,000	28,603	
Surplus/(Deficit) after capital transfers & contributions		59,278	54,835	79,582	89,643	75,803	87,355	
Taxation					-	-	-	
Surplus/(Deficit) after taxation		59,278	54,835	79,582	89,643	75,803	87,355	
Attributable to minorities					-	-	-	
Surplus/(Deficit) attributable to municipality		59,278	54,835	79,582	89,643	75,803	87,355	
Share of surplus/ (deficit) of associate	7				-	-	-	
Surplus/(Deficit) for the year		59,278	54,835	79,582	89,643	75,803	87,355	

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total operating revenue is R89,143 million in 2017/2018 and indicates an increase to R914,544 million in 2018/19.
2. Revenue to be generated from property rates is R205,069 million in the 2017/2018 financial year and increases to R215,403 million by 2018/19 which represents 5.04% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R351,584 million for the 2017/2018 financial year and indicates an increase to R386,212 million by 2018/19. For the 2018/19 financial year services charges amount to 42.23% of the operating revenue base.
4. Transfers recognised – operating grants includes the local government equitable share and other operating grants from national and provincial government.

The following graph illustrates the major expenditure items per type.

Figure 3 Expenditure by major type



5. Bulk purchases have significantly increased from R165,925 million to R177,274 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom over the past years.
6. The change in the trend for contracted services also relates to the reclassification of expenditure resulting from mSCOA implementation. This category of expenditure amount to R173,393 in 2018/19 financial year.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source

WC048 Knysna - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Capital expenditure - Vote							
Multi-year expenditure to be appropriated	2						
Vote 1 - Executive & Council		-	-	-	-	-	-
Vote 2 - Corporate Services		-	-	-	1,000	-	-
Vote 3 - Financial Services		2,160	2,443	2,443	1,150	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-
Vote 5 - Planning & Development		22,014	35,744	35,744	-	-	-
Vote 6 - Community Services		15,617	14,884	14,884	17,351	1,851	-
Vote 7 - Electrical Services		13,429	15,122	15,122	11,300	11,600	11,500
Vote 8 - Technical Services		50,470	47,990	47,990	58,960	49,630	62,389
Capital multi-year expenditure sub-total	7	103,689	116,182	116,182	89,760	63,081	73,889
Single-year expenditure to be appropriated	2						
Vote 1 - Executive & Council		3,860	2,677	2,677	-	-	-
Vote 2 - Corporate Services		-	10	10	56	56	56
Vote 3 - Financial Services		410	2,616	2,616	1,000	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-
Vote 5 - Planning & Development		-	1,056	1,056	10,140	-	-
Vote 6 - Community Services		15,590	13,901	13,901	3,690	6,208	1,574
Vote 7 - Electrical Services		10,465	13,439	13,439	15,294	21,742	8,331
Vote 8 - Technical Services		3,498	16,718	16,718	30,801	33,373	30,064
Capital single-year expenditure sub-total		33,823	50,418	50,418	60,981	61,378	40,025
Total Capital Expenditure - Vote		137,512	166,599	166,599	150,742	124,459	113,914
Capital Expenditure - Functional							
Governance and administration		10,350	7,746	7,746	3,346	56	56
Executive and council		3,860	2,677	2,677	-	-	-
Finance and administration		6,490	5,069	5,069	3,346	56	56
Internal audit		-	-	-	-	-	-
Community and public safety		40,131	59,885	59,885	29,511	7,459	974
Community and social services		16,117	18,993	18,993	17,451	3,051	174
Sport and recreation		2,000	2,785	2,785	1,400	4,408	800
Public safety		-	1,306	1,306	660	-	-
Housing		22,014	36,800	36,800	10,000	-	-
Health		-	-	-	-	-	-
Economic and environmental services		14,253	4,903	4,903	19,350	12,330	13,084
Planning and development		-	-	-	250	-	-
Road transport		14,253	4,903	4,903	19,100	12,330	13,084
Environmental protection		-	-	-	-	-	-
Trading services		72,778	94,066	94,066	98,535	104,614	99,800
Energy sources		23,894	28,561	28,561	26,594	33,342	19,831
Water management		26,132	43,749	43,749	42,919	55,319	59,324
Waste water management		19,553	16,056	16,056	27,492	15,353	20,045
Waste management		3,200	5,700	5,700	1,530	600	600
Other		-	-	-	-	-	-
Total Capital Expenditure - Functional	3	137,512	166,599	166,599	150,742	124,459	113,914
Funded by:							
National Government		32,578	31,620	31,620	42,056	33,001	28,603
Provincial Government		25,523	46,515	46,515	11,360	56	56
District Municipality		-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-
Transfers recognised - capital	4	58,101	78,136	78,136	53,416	33,057	28,659
Public contributions & donations	5	-	-	-	-	-	-
Borrowing	6	38,570	35,033	35,033	50,196	45,373	50,324
Internally generated funds	7	40,842	53,431	53,431	47,130	46,030	34,930
Total Capital Funding	7	137,512	166,599	166,599	150,742	124,459	113,914

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by functional classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. The capital expenditure amounts to R150.742 million in 2018/19.
3. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.

Table 20 MBRR Table A6 - Budgeted Financial Position

WC048 Knysna - Table A6 Budgeted Financial Position

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
ASSETS							
Current assets							
Cash		107,284	66,601	67,227	72,169	85,946	129,896
Call investment deposits	1	–	–	–	–	–	–
Consumer debtors	1	138,203	35,658	53,866	56,107	60,685	64,831
Other debtors		16,027	102,150	108,062	124,731	137,718	151,384
Current portion of long-term receivables		65	8	8	8	8	8
Inventory	2	6,546	8,578	8,578	9,093	9,639	10,217
Total current assets		268,125	212,995	237,741	262,108	293,997	356,336
Non current assets							
Long-term receivables		161	–	7	7	7	7
Investments		27,131	30,349	30,343	30,343	30,343	30,343
Investment property		99,308	77,004	77,004	77,004	77,004	77,004
Investment in Associate			–	–			
Property, plant and equipment	3	1,135,212	1,064,978	1,064,978	1,184,208	1,276,949	1,359,578
Agricultural				–	–	–	–
Biological			–	–	–	–	–
Intangible		7	157	157	157	157	157
Other non-current assets		20,859	19,188	19,188	19,188	19,188	19,188
Total non current assets		1,282,677	1,191,675	1,191,675	1,310,906	1,403,646	1,486,275
TOTAL ASSETS		1,550,803	1,404,670	1,429,416	1,573,013	1,697,642	1,842,611
LIABILITIES							
Current liabilities							
Bank overdraft	1			–	–	–	–
Borrowing	4	15,210	14,947	14,947	14,947	14,947	14,947
Consumer deposits		12,147	12,024	12,024	12,793	13,612	14,483
Trade and other payables	4	96,544	109,392	109,392	119,696	131,015	143,450
Provisions		26,612	28,033	28,033	29,715	31,498	33,388
Total current liabilities		150,512	164,396	164,396	177,151	191,071	206,268
Non current liabilities							
Borrowing		120,131	149,642	149,642	183,101	209,771	243,470
Provisions		139,116	137,982	137,982	145,722	153,958	162,677
Total non current liabilities		259,247	287,624	287,624	328,823	363,729	406,147
TOTAL LIABILITIES		409,759	452,020	452,020	505,974	554,800	612,414
NET ASSETS	5	1,141,044	952,650	977,396	1,067,040	1,142,842	1,230,197
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)		1,039,724	907,019	931,765	1,021,409	1,097,211	1,184,566
Reserves	4	101,320	45,631	45,631	45,631	45,631	45,631
TOTAL COMMUNITY WEALTH/EQUITY	5	1,141,044	952,650	977,396	1,067,040	1,142,842	1,230,197

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is largely aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Detailed explanation of the following balance sheet categories are elaborated above:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

WC048 Knysna - Table A7 Budgeted Cash Flows

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Property rates		190,205	194,816	194,816	198,171	214,192	226,862
Service charges		326,529	320,204	320,204	369,201	395,849	423,652
Other revenue		113,149	44,675	44,675	42,543	44,791	47,155
Government - operating	1	140,596	134,896	134,896	153,822	147,811	121,065
Government - capital	1	58,101	80,098	80,098	53,360	33,000	28,603
Interest		13,055	22,103	22,103	22,023	22,556	23,118
Dividends			-	-	-	-	-
Payments							
Suppliers and employees		(676,307)	(664,938)	(664,938)	(704,174)	(727,446)	(722,068)
Finance charges		(19,502)	(23,322)	(23,322)	(14,395)	(20,039)	(25,269)
Transfers and Grants	1	(2,280)	(8,415)	(8,415)	(3,150)	(2,792)	(2,792)
NET CASH FROM/(USED) OPERATING ACTIVITIES		143,546	100,116	100,116	117,400	107,924	120,325
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE		500	500	500	1,000	-	-
Payments							
Capital assets		(137,512)	(163,867)	(163,867)	(147,687)	(121,635)	(110,946)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(137,012)	(163,367)	(163,367)	(146,687)	(121,635)	(110,946)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans			-	-	-	-	-
Borrowing long term/refinancing		38,570	35,033	35,033	50,196	45,373	50,324
Increase (decrease) in consumer deposits		731	723	723	770	819	871
Payments							
Repayment of borrowing		(14,117)	(14,117)	(14,117)	(16,736)	(18,702)	(16,625)
NET CASH FROM/(USED) FINANCING ACTIVITIES		25,183	21,639	21,639	34,229	27,489	34,570
NET INCREASE/ (DECREASE) IN CASH HELD		31,717	(41,612)	(41,612)	4,942	13,778	43,950
Cash/cash equivalents at the year begin:	2	75,566	108,213	108,213	67,227	72,169	85,946
Cash/cash equivalents at the year end:	2	107,284	66,601	66,601	72,169	85,946	129,896

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increase steadily over the 2018/2019 to 2020/21 period.
4. The 2018/19 MTREF has been informed by the planning principle of ensuring adequate cash over the medium-term.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

WC048 Knysna - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description R thousand	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available							
Cash/cash equivalents at the year end	1	107,284	66,601	66,601	72,169	85,946	129,896
Other current investments > 90 days		-	-	626	-	-	-
Non current assets - Investments	1	27,131	30,349	30,343	30,343	30,343	30,343
Cash and investments available:		134,414	96,950	97,569	102,511	116,289	160,239
Application of cash and investments							
Unspent conditional transfers		-	-	4,898	4,898	4,898	4,898
Unspent borrowing		-	-	-	-	-	-
Statutory requirements	2						
Other working capital requirements	3	(50,276)	(3,611)	(25,526)	(32,669)	(37,441)	(40,150)
Other provisions		26,612	28,033	28,033	29,715	31,498	33,388
Long term investments committed	4	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	101,320	45,631	45,631	45,631	45,631	45,631
Total Application of cash and investments:		77,655	70,053	53,035	47,575	44,585	43,766
Surplus(shortfall)		56,759	26,897	44,534	54,937	71,704	116,473

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of noncompliance with the MFMA requirements that the municipality's budget must be "funded".
4. As part of the budgeting and planning guidelines that informs the compilation of the 2018/19 MTREF the end objective of the medium-term framework is to ensure the budget is funded and aligned to section 18 of the MFMA.
5. As can be seen the budget has been modelled to ensure that the budget is funded.

Table 23 MBRR Table A9 - Asset Management

WC048 Knysna - Table A9 Asset Management

Description		Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand			Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE								
Total New Assets		1	41,655	67,772	67,772	42,592	41,272	37,995
Roads Infrastructure			14,837	21,970	21,970	500	500	704
Storm water Infrastructure			–	90	90	–	3,913	1,304
Electrical Infrastructure			5,132	8,239	8,239	18,944	18,052	14,331
Water Supply Infrastructure			3,000	6,215	6,215	3,500	9,500	17,500
Sanitation Infrastructure			11,000	15,204	15,204	2,000	–	–
Solid Waste Infrastructure			400	400	400	730	600	600
Infrastructure			34,369	52,118	52,118	25,674	32,565	34,439
Community Facilities			4,186	3,344	3,344	3,512	1,751	–
Sport and Recreation Facilities			–	–	–	600	–	–
Community Assets			4,186	3,344	3,344	4,112	1,751	–
Housing			580	1,256	1,256	10,000	–	–
Other Assets			580	1,256	1,256	10,000	–	–
Computer Equipment			–	1,048	1,048	1,000	–	–
Furniture and Office Equipment			20	1,330	1,330	1,746	56	56
Machinery and Equipment			–	50	50	60	–	–
Transport Assets			2,500	8,627	8,627	–	6,900	3,500
Total Renewal of Existing Assets		2	53,462	36,554	36,554	39,818	28,241	38,797
Roads Infrastructure			8,800	1,520	1,520	17,600	10,080	10,080
Electrical Infrastructure			10,842	9,077	9,077	4,000	6,000	4,300
Water Supply Infrastructure			18,546	18,546	18,546	18,018	10,961	15,617
Sanitation Infrastructure			5,624	4,288	4,288	–	1,000	8,700
Coastal Infrastructure			–	53	53	200	200	100
Infrastructure			43,812	33,483	33,483	39,818	28,241	38,797
Community Facilities			1,000	948	948	–	–	–
Sport and Recreation Facilities			2,000	599	599	–	–	–
Community Assets			3,000	1,547	1,547	–	–	–
Operational Buildings			875	508	508	–	–	–
Housing			–	961	961	–	–	–
Other Assets			875	1,470	1,470	–	–	–
Computer Equipment			1,285	54	54	–	–	–
Furniture and Office Equipment			580	–	–	–	–	–
Transport Assets			3,910	–	–	–	–	–
Total Upgrading of Existing Assets		6	42,396	62,413	62,413	68,331	54,946	37,121
Roads Infrastructure			–	–	–	5,000	11,000	–
Storm water Infrastructure			–	500	500	500	750	750
Electrical Infrastructure			6,900	11,239	11,239	2,950	8,290	1,200
Water Supply Infrastructure			4,586	18,989	18,989	17,401	23,858	25,957
Sanitation Infrastructure			11,509	10,814	10,814	23,992	8,840	9,040
Solid Waste Infrastructure			800	800	800	800	–	–
Coastal Infrastructure			1,000	–	–	1,000	–	–
Infrastructure			24,795	42,342	42,342	51,642	52,739	36,947
Community Facilities			17,201	15,747	15,747	13,339	100	174
Sport and Recreation Facilities			–	1,243	1,243	1,200	2,108	–
Community Assets			17,201	16,990	16,990	14,539	2,208	174
Operational Buildings			400	280	280	1,000	–	–
Other Assets			400	280	280	1,000	–	–
Computer Equipment			–	1,200	1,200	1,150	–	–
Furniture and Office Equipment			–	7	7	–	–	–
Transport Assets			–	1,595	1,595	–	–	–
Total Capital Expenditure		4						
Roads Infrastructure			23,637	23,490	23,490	23,100	21,580	10,784
Storm water Infrastructure			–	590	590	500	4,663	2,054
Electrical Infrastructure			22,874	28,555	28,555	25,894	32,342	19,831
Water Supply Infrastructure			26,132	43,749	43,749	38,919	44,319	59,074
Sanitation Infrastructure			28,133	30,306	30,306	25,992	9,840	17,740
Solid Waste Infrastructure			1,200	1,200	1,200	1,530	600	600
Coastal Infrastructure			1,000	53	53	1,200	200	100
Infrastructure			102,976	127,943	127,943	117,135	113,544	110,184
Community Facilities			22,387	20,038	20,038	16,851	1,851	174
Sport and Recreation Facilities			2,000	1,842	1,842	1,800	2,108	–
Community Assets			24,387	21,880	21,880	18,651	3,959	174
Operational Buildings			1,275	788	788	1,000	–	–
Housing			580	2,217	2,217	10,000	–	–
Other Assets			1,855	3,006	3,006	11,000	–	–
Computer Equipment			1,285	2,301	2,301	2,150	–	–
Furniture and Office Equipment			600	1,337	1,337	1,746	56	56
Machinery and Equipment			–	50	50	60	–	–
Transport Assets			6,410	10,222	10,222	–	6,900	3,500
TOTAL CAPITAL EXPENDITURE - Asset class			137,512	166,739	166,739	150,742	124,459	113,914

WC048 Knysna - Table A9 Asset Management

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
ASSET REGISTER SUMMARY - PPE (WDV)	5						
Roads Infrastructure		133,028	132,778	132,778	155,878	177,458	188,242
Storm water Infrastructure		1,075	1,075	1,075	1,575	6,238	8,292
Electrical Infrastructure		225,719	226,069	226,069	251,963	284,305	304,136
Water Supply Infrastructure		215,189	228,447	228,447	267,366	311,685	370,759
Sanitation Infrastructure		162,798	166,470	166,470	192,462	202,302	220,043
Solid Waste Infrastructure		1,652	1,652	1,652	3,182	3,782	4,382
Coastal Infrastructure		1,000	1,069	1,069	2,269	2,469	2,569
Infrastructure		740,461	757,561	757,561	874,696	988,240	1,098,423
Community Facilities		98,495	100,667	100,667	117,518	119,369	119,543
Sport and Recreation Facilities		16,203	16,748	16,748	18,548	20,656	20,656
Community Assets		114,698	117,415	117,415	136,066	140,025	140,199
Heritage Assets		19,057	19,057	19,057	19,057	19,057	19,057
Revenue Generating		20,800	20,800	20,800	20,800	20,800	20,800
Non-revenue Generating		78,508	78,508	78,508	78,508	78,508	78,508
Investment properties		99,308	99,308	99,308	99,308	99,308	99,308
Operational Buildings		218,406	218,406	218,406	219,406	219,406	219,406
Housing		580	1,541	1,541	11,541	11,541	11,541
Other Assets		218,986	219,948	219,948	230,948	230,948	230,948
Licences and Rights		7	7	7	7	7	7
Intangible Assets		7	7	7	7	7	7
Computer Equipment		5,766	5,646	5,646	7,796	7,796	7,796
Furniture and Office Equipment		4,490	4,575	4,575	6,321	6,377	6,433
Machinery and Equipment		9,788	9,788	9,788	9,848	9,848	9,848
Transport Assets		31,015	35,001	35,001	35,001	41,901	45,401
Land		10,008	10,008	10,008	10,008	10,008	10,008
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1,253,584	1,278,313	1,278,313	1,429,055	1,553,514	1,667,428
EXPENDITURE OTHER ITEMS							
Depreciation	7	30,899	30,899	30,899	32,041	32,164	31,262
Repairs and Maintenance by Asset Class	3	71,325	235,255	235,255	60,102	75,515	79,421
Roads Infrastructure		35,550	198,077	198,077	26,036	37,470	39,531
Storm water Infrastructure		1,000	1,000	1,000	1,053	1,054	1,112
Electrical Infrastructure		4,655	4,073	4,073	4,233	4,906	5,176
Water Supply Infrastructure		10,392	11,096	11,096	10,424	10,953	11,556
Sanitation Infrastructure		7,015	6,934	6,934	6,901	7,394	7,801
Solid Waste Infrastructure		810	830	830	874	921	972
Infrastructure		59,422	222,010	222,010	49,521	62,699	66,147
Community Facilities		2,458	2,419	2,419	1,731	2,191	2,225
Sport and Recreation Facilities		1,299	1,429	1,429	1,400	1,543	1,543
Community Assets		3,757	3,848	3,848	3,131	3,734	3,768
Operational Buildings		2,251	2,371	2,371	693	2,031	2,142
Housing		640	640	640	357	371	383
Other Assets		2,891	3,011	3,011	1,050	2,402	2,525
Computer Equipment		-	1,183	1,183	1,221	1,221	1,221
Furniture and Office Equipment		27	32	32	3	3	3
Transport Assets		5,000	4,948	4,948	4,948	5,215	5,502
Land		228	223	223	229	242	255
TOTAL EXPENDITURE OTHER ITEMS		102,224	266,154	266,154	92,143	107,679	110,683
Renewal and upgrading of Existing Assets as % of total capex		69.7%	59.4%	59.4%	71.7%	66.8%	66.6%
Renewal and upgrading of Existing Assets as % of deprecn		310.2%	320.3%	320.3%	337.5%	258.6%	242.8%
R&M as a % of PPE		6.3%	22.1%	22.1%	5.1%	5.9%	5.8%
Renewal and upgrading and R&M as a % of PPE		13.0%	26.0%	26.0%	12.0%	10.0%	9.0%

Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal/upgrading of existing assets, as well as spending on repairs and maintenance by asset class.
- The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF.

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

WC048 Knysna - Table A10 Basic service delivery measurement

Description	Ref	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1					
<u>Water:</u>						
Piped water inside dwelling		19,934	19,934	19,543	20,579	21,690
Piped water inside yard (but not in dwelling)		3,463	3,463	3,395	3,575	3,768
Using public tap (at least min.service level)	2	1,137	1,137	2,070	2,180	2,297
Other water supply (at least min.service level)	4	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		24,534	24,534	25,008	26,333	27,755
Using public tap (< min.service level)	3	948	948	–	–	–
Other water supply (< min.service level)	4	948	948	869	915	964
No water supply		–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		1,896	1,896	869	915	964
Total number of households	5	26,430	26,430	25,877	27,248	28,720
<u>Sanitation/sewerage:</u>						
Flush toilet (connected to sewerage)		21,655	21,655	23,940	25,209	26,570
Flush toilet (with septic tank)		2,741	2,741	–	–	–
Chemical toilet		23	23	–	–	–
Pit toilet (ventilated)		1,313	1,313	1,287	1,355	1,428
Other toilet provisions (> min.service level)		–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		25,732	25,732	25,227	26,564	27,998
Bucket toilet		308	308	302	318	335
Other toilet provisions (< min.service level)		117	117	348	366	386
No toilet provisions		238	238	–	–	–
<i>Below Minimum Service Level sub-total</i>		663	663	650	684	721
Total number of households	5	26,395	26,395	25,877	27,248	28,720
<u>Energy:</u>						
Electricity (at least min.service level)		24,980	24,980	24,490	25,788	27,181
Electricity - prepaid (min.service level)		–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		24,980	24,980	24,490	25,788	27,181
Electricity (< min.service level)		–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–
Other energy sources		1,414	1,414	95	100	105
<i>Below Minimum Service Level sub-total</i>		1,414	1,414	95	100	105
Total number of households	5	26,394	26,394	24,585	25,888	27,286
<u>Refuse:</u>						
Removed at least once a week		24,563	24,563	24,081	25,357	26,727
<i>Minimum Service Level and Above sub-total</i>		24,563	24,563	24,081	25,357	26,727
Removed less frequently than once a week		764	764	749	789	831
Using communal refuse dump		338	338	331	349	367
Using own refuse dump		409	409	401	422	445
Other rubbish disposal		159	159	70	74	78
No rubbish disposal		162	162	156	164	173
<i>Below Minimum Service Level sub-total</i>		1,832	1,832	1,707	1,797	1,895
Total number of households	5	26,395	26,395	25,788	27,155	28,621
Cost of Free Basic Services provided - Formal Settlements (R'000)	8					
Water (6 kilolitres per indigent household per month)		7,835	7,549	5,838	6,177	6,541
Sanitation (free sanitation service to indigent households)		1,217	1,137	1,335	1,412	1,496
Electricity/other energy (50kwh per indigent household per month)		4,033	4,528	4,859	5,215	5,597
Refuse (removed once a week for indigent households)		1,313	1,313	1,477	1,562	1,653
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		–	–	–	–	–
Total cost of FBS provided		14,398	14,527	13,509	14,366	15,287
Highest level of free service provided per household						
Property rates (R value threshold)		100,000				
Water (kilolitres per household per month)		6				
Sanitation (kilolitres per household per month)						
Sanitation (Rand per household per month)						
Electricity (kwh per household per month)		50				
Refuse (average litres per week)		170				
Revenue cost of subsidised services provided (R'000)	9					
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		15				
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		49,316	19,956	24,321	25,756	27,250
Water (in excess of 6 kilolitres per indigent household per month)		7,835	–	–	–	–
Sanitation (in excess of free sanitation service to indigent households)		1,217	–	–	–	–
Electricity/other energy (in excess of 50 kwh per indigent household per month)		4,033	–	–	–	–
Refuse (in excess of one removal a week for indigent households)		1,313	–	–	–	–
Total revenue cost of subsidised services provided		63,729	19,956	24,321	25,756	27,250

The Figures for households above, relating to household service targets, includes both formal and informal households.

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 5345 households to be registered as indigent in 2018/19, and therefore entitled to receiving Free Basic Services. The number is set to increase over the MTREF, especially by poor people seeking economic opportunities.
3. It is anticipated that the cost of these Free Basic Services will amount to R37.831 million in 2018/19. This is covered by the municipality's equitable share allocation from national government.
4. In addition to the Free Basic Services, other rates rebates also apply to households.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Executive Mayor, Finance Chairperson, Municipal Manager, Directors and Senior officials with the largest Budget.

The primary aims of the Budget Steering Committee are to ensure:

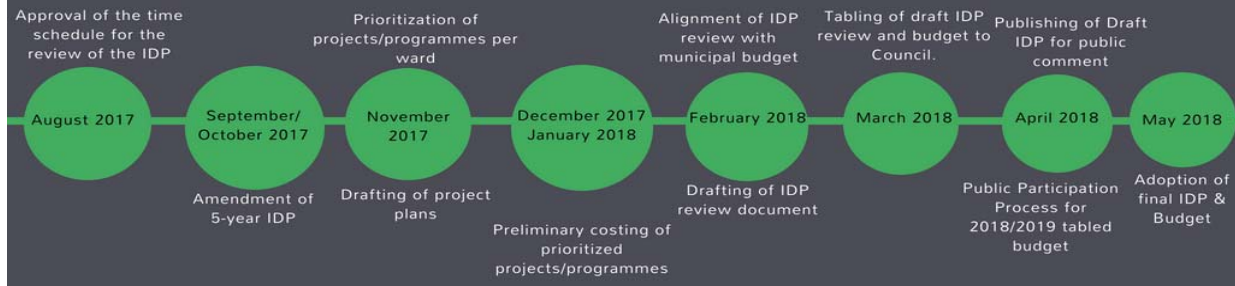
- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to prepare the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 30 August 2017. Key dates applicable to the process were:

2018/2019 Budget & IDP Review Timeschedule



2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the first review of the latest new generation IDP (2018/2022) to be considered and adopted by Council in May 2018. The final draft IDP process started in September 2017 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF in August 2017.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the Final draft IDP cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans with key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP is taken into a business and financial planning process leading up to the 2018/19 MTREF, based on the adjusted 2017/2018 MTREF and mid-year review. The business planning process was subsequently refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2018/19 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/2018 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

Strategic objectives of the compilation of the 2018/19 MTREF include the undertaking of extensive financial modelling to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2018/19 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate (trends, inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The 2017/2018 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 89 & 91 were taken into consideration in the planning and prioritisation process.

Cost containment are being implemented across the organisation in the current and next year's budget. A final draft policy on cost containment measures with specific reference to line item that must be scaled and managed down will be prepared and presented to Council before February 2019 adjustments budget.

2.1.4 Community Consultation on the Final draft Budget

The final draft 2018/19 MTREF, will be tabled in Council on 30 May 2018 and thereafter approval be publicized as follows:

Copies of the document can be viewed:

- At the offices of Knysna Municipality
- All public libraries within the municipality
- At the website: www.Knysna.gov.za

All documents in the appropriate format (electronic and printed) will be provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA.

A delegation of the municipality, consisting of the Executive Mayor, MMC for Finance, other Councillors, Municipal Manager, all Directors and officials from the Budget Office and Strategic Planning Office, held public meetings for all the wards in the municipal area to present the final draft budget to the community. Public meetings were held in all wards from the period from 26 April 2018 to 8 May 2018.

Submissions were received during the community consultation process and additional information regarding revenue and expenditure and capital projects have been considered by the Budget Steering Committee at a meeting held on 21 May 2018 for the finalization of the 2018/2019 Budget.

Comments from the community and the municipality's responses thereto are included as an Annexure G to this final report.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realised through a credible integrated developmental planning process. Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents.

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities. The aim of this new five year IDP cycle is to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

To improve and maintain current basic service delivery through specific infrastructure development projects includes, amongst others:

- Sustainable water security
- Upgrading of Waste Water Treatment Works' capacity
- Replacement & repairing of ageing reticulation infrastructure
- Upgrading of roads infrastructure

To promote a safe and healthy environment through the protection of our natural resources by ensuring;

- Environmental rehabilitation and conservation
- Protection of natural resources
- Effective pollution & waste management
- Air Quality Management

To create an enabling environment for social development and economic growth.

- Create a conducive environment for accelerated economic growth
- Investment promotion
- Unlocking of strategic land for development
- Enterprise development
- Job creation initiatives

To grow the revenue base of the municipality by:

- Mixed residential human settlement development
- 'Sweat' Municipal assets
- Institute a complete database cleanout
- Revenue Enhancement Strategy

To structure and manage the municipal administration to ensure efficient service delivery through;

- Publishing the outcomes of all tender processes on the municipal website Organizational re-design process
- Effective performance management system
- Pro-active Disaster Management Plan

To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication.

- Establish '086 Knysna' for centralizing the complaints management system.
- Establishment of multi-purpose public amenities

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy, which primarily focuses on a longer-term horizon; 15 to 20 years for infrastructure planning. This process is aimed at influencing the development path to restructure current patterns of settlement, activity and access to resources in the Municipality to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the new IDP of the 2018/2022 cycle, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes.
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the 1st review of the 2018/2022 IDP process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

WC048 Knysna - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective R thousand	Goal	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
To ensure the provision of bulk infrastructure and basic services through the upgrading and replacement of ageing infrastructure, and the expansion of new infrastructure	BASIC SERVICE DELIVERY:	613,710	634,563	530,847	530,293	527,539
\$ To create an enabling environment for socio-economic growth.	LOCAL ECONOMIC DEVELOPMENT:	4,087	4,429	1,187	-	-
\$ To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication.	GOOD GOVERNANCE AND PUBLIC PARTICIPATION:	14,022	14,032	3,227	3,392	3,565
\$ To grow the revenue base of the municipality	MUNICIPAL FINANCIAL VIABILITY AND TRANSFORMATION:	217,498	223,191	237,576	249,691	262,915
\$ To structure and manage the municipal administration to ensure efficient service delivery.	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT:	11,938	12,895	195,067	203,566	211,557
To promote a safe and healthy environment through the protection of our natural resources	ENVIRONMENTAL CONSERVATION	8,772	9,729	-	-	-
Allocations to other priorities						
Total Revenue (excluding capital transfers and contributi		870,027	898,840	967,904	986,942	1,005,576

Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

WC048 Knysna - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective R thousand	Goal	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
To improve and maintain current basic service delivery through specific infrastructural development projects	BASIC SERVICE DELIVERY:	633,528	658,739	473,416	492,873	484,009
To create an enabling environment for social development and economic growth	LOCAL ECONOMIC DEVELOPMENT:	21,156	17,412	9,407	7,046	7,416
To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication	GOOD GOVERNANCE AND PUBLIC PARTICIPATION:	51,205	60,590	20,400	20,439	21,450
To grow the revenue base of the municipality	MUNICIPAL FINANCIAL VIABILITY AND TRANSFORMATION:	42,579	38,912	72,090	76,513	76,559
To structure and manage the municipal administration to ensure efficient service delivery	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT:	60,825	73,215	296,443	308,654	323,315
To promote a safe and healthy environment through the protection of our natural	BASIC SERVICE DELIVERY:	2,689	5,538	6,505	5,614	5,473
Allocations to other priorities						
Total Expenditure		811,980	854,405	878,261	911,140	918,221

Table 27 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

WC048 Knysna - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand						
To ensure the provision of bulk infrastructure and basic services through the upgrading and replacement of ageing infrastructure, and the expansion of new infrastructure.	BASIC SERVICE DELIVERY:	127,052	159,009	117,155	108,357	106,170
§ To create an enabling environment for socio-economic growth.	LOCAL ECONOMIC DEVELOPMENT:	–	–			
§ To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication.	GOOD GOVERNANCE AND PUBLIC PARTICIPATION:	3,860	2,521	–	–	174
§ To grow the revenue base of the municipality	MUNICIPAL FINANCIAL VIABILITY AND TRANSFORMATION:	300	374	8,436	8,043	6,170
§ To structure and manage the municipal administration to ensure efficient service delivery.	MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT:	6,300	4,695	25,151	8,059	1,400
Total Capital Expenditure		137,512	166,599	150,742	124,459	113,914

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality must develop targets, monitor, assess and review organizational performance which in turn must be directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly at each quarter, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

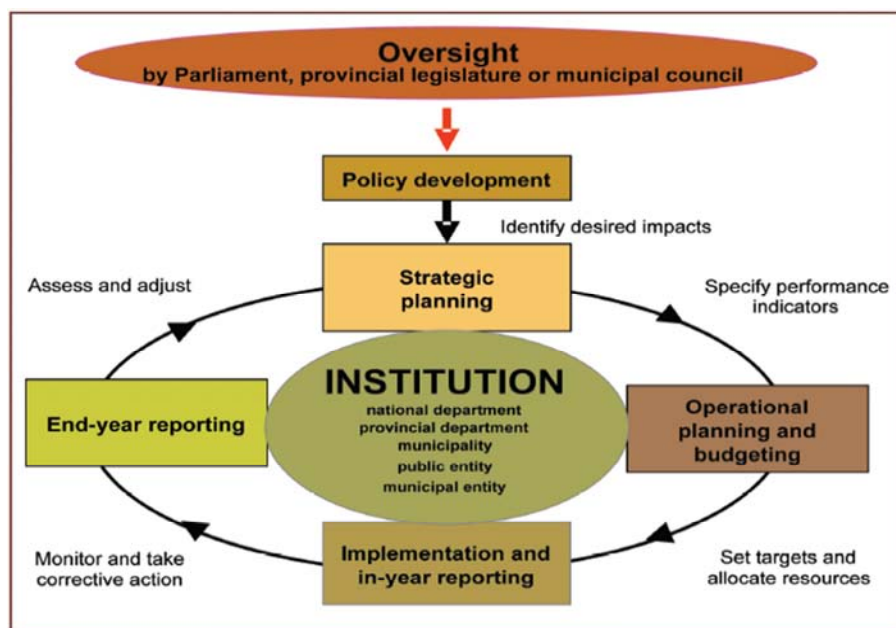
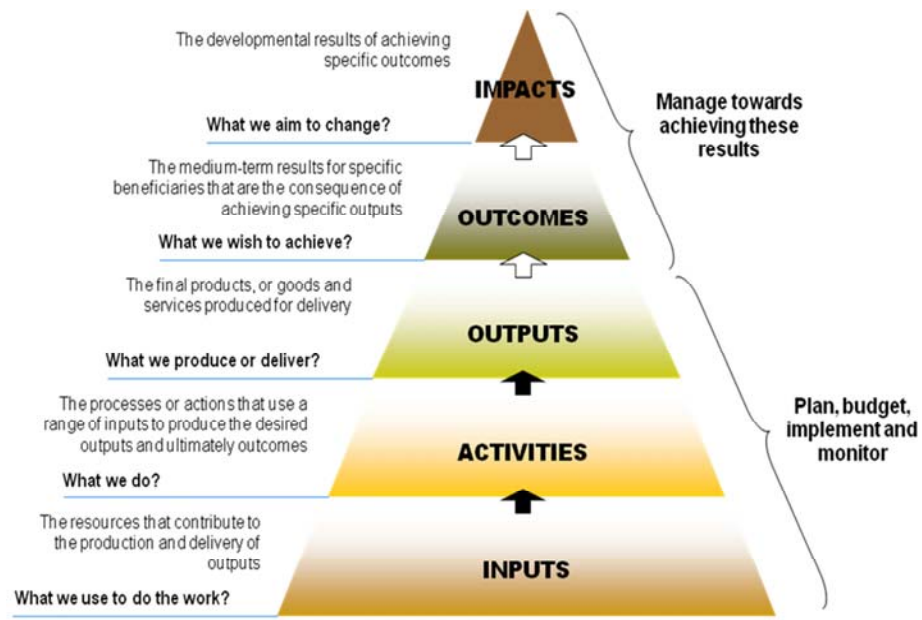


Figure 4 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore will adopt effectively from 1 July 2018, one integrated performance management system, which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



The following table sets out the municipalities main performance objectives and benchmarks for the 2018/19 MTREF.

Table 28 MBRR Table SA8 - Performance indicators and benchmarks

WC048 Knysna - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<u>Borrowing Management</u>							
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	4.1%	4.4%	4.4%	3.5%	4.3%	4.6%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	5.0%	5.4%	5.3%	4.1%	4.8%	4.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	48.6%	39.6%	39.6%	51.6%	49.6%	59.0%
<u>Safety of Capital</u>							
Gearing	Long Term Borrowing/ Funds & Reserves	118.6%	327.9%	327.9%	401.3%	459.7%	533.6%
<u>Liquidity</u>							
Current Ratio	Current assets/current liabilities	1.8	1.3	1.4	1.5	1.5	1.7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.8	1.3	1.4	1.5	1.5	1.7
Liquidity Ratio	Monetary Assets/Current Liabilities	0.7	0.4	0.4	0.4	0.4	0.6
<u>Revenue Management</u>							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	94.8%	95.0%	0.0%	94.3%	95.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		94.8%	95.0%	92.5%	94.3%	95.3%	95.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	19.0%	16.6%	19.2%	19.8%	20.8%	22.1%
<u>Creditors Management</u>							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))						
Creditors to Cash and Investments		90.0%	164.3%	156.9%	159.1%	146.7%	106.7%
<u>Other Indicators</u>							
Employee costs	Employee costs/(Total Revenue - capital revenue)	27.1%	28.9%	28.4%	27.8%	27.9%	28.7%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	28.1%	30.0%	29.5%	28.7%	28.9%	29.7%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	8.8%	28.4%	27.9%	6.6%	7.9%	8.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	6.2%	6.5%	6.4%	5.0%	5.4%	5.8%
<u>IDP regulation financial viability indicators</u>							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	18.6	18.6	18.6	18.4	20.3	21.5
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	28.0%	25.1%	28.8%	29.7%	30.7%	31.4%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.1	1.1	1.1	1.1	1.3	1.9

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital grants, own-source revenue and long-term borrowing can fund capital expenditure in local government. The ability of a municipality to raise long-term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Knysna's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing remains steady. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over the MTREF is 64% which indicates that the amount available from own sources to finance capital have declined. This is because of utilising a portion of surpluses as they became available.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. The gearing on borrowing must be reduced by 5% over a period of ten years. To date this has now been achieved, with the indication that the 2018/2019 MTREF is estimated to end on 26%, which is also below the outer limit guideline of 45% of the National Treasury.

2.3.1.2 Safety of Capital

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. This ratio is not conducive to the GRAP accounting framework due to the low amount of reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a bottom limit of 1.5%, therefore at no point in time should this ratio be less than 1.5%. Over the 2018 /19 MTREF, the current ratio is at 1.5%, increasing to 1.7 by 2020/2021. National Treasury has set a current ratio minimum of 1.5 in circular 71. This trend need to be maintained going in order to preserve this ratio, notwithstanding that it could tie up cash needed for capital investment.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally, the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1%. Knysna Municipality's liquidity ratio is at an average of 0.4%. The liquidity includes consumer deposits and provisions which are not likely to be realised in the short term. As part of the longer term financial planning objectives this ratio should be preserved as mentioned, notwithstanding that it could will tie up cash needed for capital investment.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to

streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. By applying daily cash flow management the municipality has managed to ensure compliance to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The electricity distribution losses must be managed downwards in the 2018/19 financial year. The electricity distribution losses increased from 2.90 to 8.19% financial years. This must include measureable technical losses, which further increased the percentage of losses. The initiatives to ensure these targets will be achieved include managing illegal connections, regular meter audits and managing theft of electricity by rolling out smart metering systems, including prepaid meters. It is evident that losses are at distribution. When considering this it is evident that distribution losses needs to be better managed.
- The water distribution losses have significantly increased from 16.68% to 23.90% 2015/16 to 2016/17 audited financial years. We need to invest in the upgrading of water reticulation infrastructure, which is set to continue over the MTREF. The public also gives active attention to reported leaks and a further measure is to install flow limiters.
- Employee costs, as a percentage of operating expenditure remains stable. This is primarily owing to limited expansion of the personnel structure.
- In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the 2018/19 financial year 5345 registered indigents have been provided for in the budget. In terms of the municipality's indigent policy, registered households are entitled to 6kℓ free water, 50 kWh of electricity, weekly refuse removal and, where applicable, sewer. Further subsidies are capped at the full revenue cost of the basic services provided above.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 45.

WC048 Knysna - Table A10 Basic service delivery measurement

Description	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cost of Free Basic Services provided - Formal Settlements (R'000)	8			
Water (6 kilolitres per indigent household per month)		5,838	6,177	6,541
Sanitation (free sanitation service to indigent households)		1,335	1,412	1,496
Electricity/other energy (50kwh per indigent household per month)		4,859	5,215	5,597
Refuse (removed once a week for indigent households)		1,477	1,562	1,653
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		-	-	-
Total cost of FBS provided		13,509	14,366	15,287
Revenue cost of subsidised services provided (R'000)	9			
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)				
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		24,321	25,756	27,250
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-
Total revenue cost of subsidised services provided		24,321	25,756	27,250

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through standpipes) are not taken into account in the table noted above due to the measuring criteria.

2.3.3 Providing clean water and managing waste water

The Department of Water Affairs conducts bi-annual performance rating of water and sewage treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the challenges facing the municipality:

- Some infrastructure is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

As part of the planning process all policies referred to in the executive summary have been reviewed, workshopped with councilors. Comments and amendments after the consultation have been incorporated where appropriate in order to assist with efficiency and effectiveness in the administration process. All budget related policies are included as Annexure E.

2.5 Overview of budget assumptions

2.5.1 External factors

The effects of recession are less evident than the same time two years ago. After a protracted standstill in interest rates, this has since increased. Upwards pressure is also evident in the inflation rate and the Rand continues to weaken against leading currencies. International oil prices are rising after a significant decrease over the previous months.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and fuel; and
- The increase in the cost of remuneration. Employee related costs comprise 28% of total operating expenditure in the 2018/19 MTREF and therefore increases above inflation places a disproportionate upward pressure on the expenditure budget

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality chiefly engages in amortisation-style loans requiring both regular principal and interest payments. Surplus cash is invested and re-invested at short intervals.

2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate linked to CPI over the medium term. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (94%) of annual billings. Cash flow is assumed to be 97% of billings from an increased collection of arrear debt.

2.5.5 Growth or decline in tax base of the municipality

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' mainly limits consumption to the level of free basic services.

2.5.6 Salary increases

The current three year collective SALGBC salary agreement comes to an end on 30 June 2018. Salary increases, according to the agreement, were determined at 7.35% for the 2017/18 financial year, based on the average inflation for the period February 2016 to January 2017, with a minimum inflation rate of 5% plus 1%. The salary negotiations are currently underway for a salary determination as from 1 July 2018. The macro-economic forecast outlook, together with previous salary determinations was used as a tenable guideline for an increase in remuneration. This amounted to an estimate of 5.8%, relating to a 7.35% increase, inclusive of notch increases. This percentage is still feasible as the Employer Organisation (SALGA) has a current position of a 5.9% increase.

2.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of 95% could be achieved on operating expenditure and 99% on the capital programme for the 2018/19 MTREF.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 33 Breakdown of the operating revenue over the medium-term

The following graph is a breakdown of the operational revenue per major category for the 2018/19 financial year.

Source	Amount (R Million)	Percentage
Assessment Rates	215,40	23,55%
Electricity revenue	250,86	27,43%
Water revenue	79,54	8,70%
Sewerage Charges	29,48	3,22%
Refuse Charges	26,32	2,88%
Grants and subsidies	153,82	16,82%

Figure 5 Breakdown of operating revenue over the 2018/19 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation, solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

- The revenue strategy is a function of key components such as:
- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 90% annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements; and
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004), as amended (MPRA).

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes marginally to the revenue base. It needs to be noted that these allocations have been conservatively estimated. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 29 MBRR SA15 – Detail Investment Information

WC048 Knysna - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand				
Parent municipality				
Deposits - Bank		88,108	88,108	88,108
Municipality sub-total	1	88,108	88,108	88,108
Consolidated total:		88	88	88

Table 30 MBRR SA16 – Investment particulars by maturity

WC048 Knysna - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Variable or Fixed interest rate	Interest Rate	Expiry date of investment	Opening balance	Closing Balance
Name of institution & investment ID	1	Yrs/Months						
Parent municipality								
Call Facility								-
Nedbank - Ceded to DBSA	1531	Call	Call Deposit	Variable	6.55	Call Deposit	10,885	10,885
Nedbank - IGT-Equitable Share: July 2016(Own	1068	Call	Call Deposit	Variable	6.55	Call Deposit	56	56
Nedbank - IGT-Equitable Share: March 2017(Own	1068	Call	Call Deposit	Variable	6.55	Call Deposit	16,767	16,767
Old Mutual - MIG March 2017(Own Funds)	###	Call	Call Deposit	Variable	7.4	Call Deposit	9,444	9,444
ABSA - Own Funds (Loan Drawdown)	###	Call	Call Deposit	Variable	6.5	Call Deposit	1,804	1,804
ABSA - NDPG(Own Funds)	###	Call	Call Deposit	Variable	6.5	Call Deposit	3,147	3,147
STD Bank - IGT Equitable Share: July 2016 (Own	###	Call	Call Deposit	Variable	6.8	Call Deposit	14,320	14,320
Investec - Ceded to DBSA	941-	Call	Call Deposit	Variable	6.5	Call Deposit	31,685	31,685
Investec - Own Funds	941-	Call	Call Deposit	Variable	6.5	Call Deposit	0	0
Municipality sub-total							88,108	88,108
TOTAL INVESTMENTS AND INTEREST	1						88,108	88,108

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2018/19 medium-term capital programme:

Table 31 Sources of capital revenue over the MTREF

WC048 Knysna - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funded by:							
National Government		32,578	31,620	31,620	42,056	33,001	28,603
Provincial Government		25,523	46,515	46,515	11,360	56	56
District Municipality			-	-	-	-	-
Other transfers and grants			-	-	-	-	-
Transfers recognised - capital	4	58,101	78,136	78,136	53,416	33,057	28,659
Public contributions & donations	5		-	-	-	-	-
Borrowing	6	38,570	35,033	35,033	50,196	45,373	50,324
Internally generated funds		40,842	53,431	53,431	47,130	46,030	34,930
Total Capital Funding	7	137,512	166,599	166,599	150,742	124,459	113,914

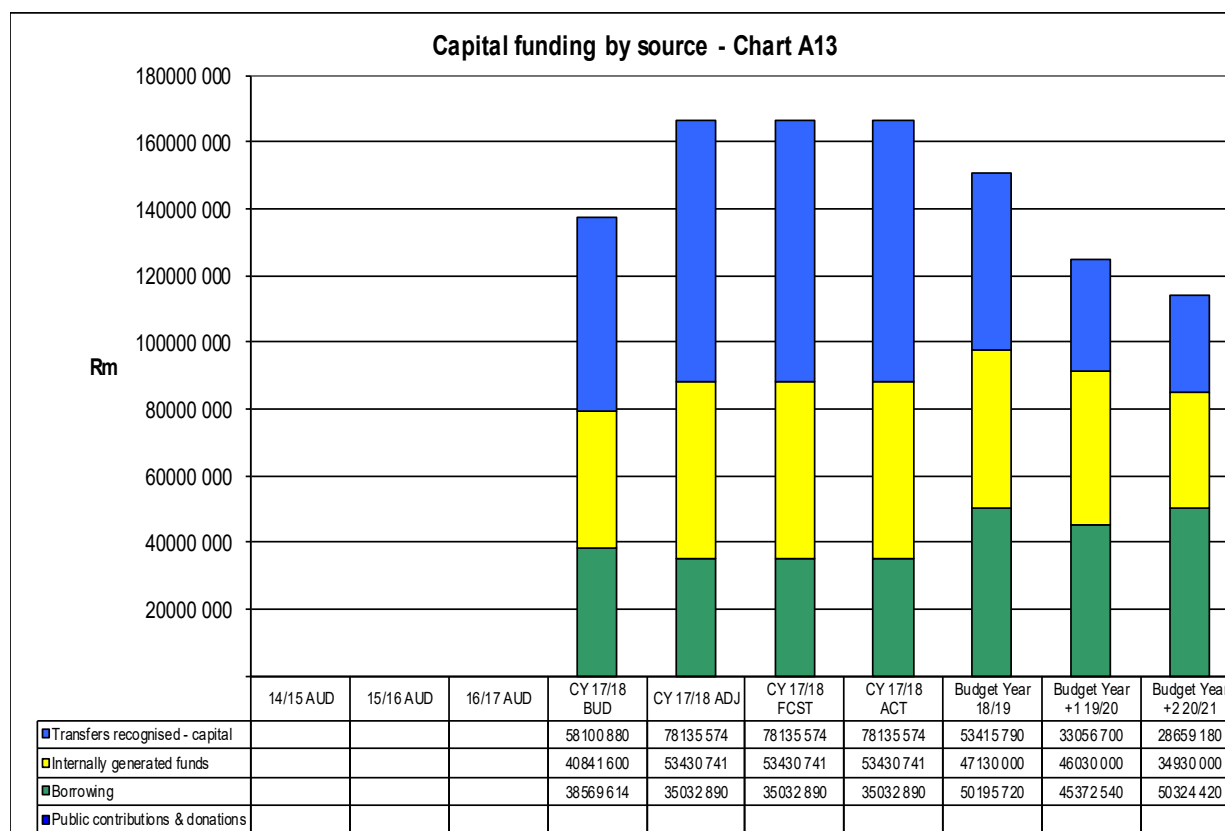


Figure 6 Sources of capital revenue for the 2018/19 financial year

Capital grants and receipts equates to 35% of the total funding source which represents R53,416 million for the 2018/19 financial year.

Table 32 MBRR Table SA18 - Capital transfers and grant receipts

WC048 Knysna - Supporting Table SA18 Transfers and grant receipts

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
RECEIPTS:	1, 2						
Capital Transfers and Grants							
National Government:		32,765	33,722	33,722	42,056	33,000	28,603
<i>Energy Efficiency and Demand Side Management</i>		2,632	2,632	2,632	5,217	5,217	4,348
<i>Municipal Infrastructure Grant</i>		21,361	21,361	21,361	20,317	20,548	21,472
<i>Neighbourhood Development Partnership Grant</i>		8,772	9,729	9,729	10,435	-	-
<i>Integrated National Electrification Programme Grant</i>					6,087	7,235	2,783
Provincial Government:		25,523	46,376	46,376	11,304	-	-
<i>Housing</i>		22,014	36,477	36,477	10,000	-	-
<i>Libraries, Archives and Museums</i>		3,509	5,733	5,733	1,304	-	-
<i>Municipal Infrastructure Grant</i>			3,113	3,113	-	-	-
<i>Public Transport</i>			1,053	1,053	-	-	-
Total Capital Transfers and Grants	5	58,288	80,098	80,098	53,360	33,000	28,603
TOTAL RECEIPTS OF TRANSFERS & GRANTS		198,897	214,994	214,994	207,182	180,811	149,668

Borrowing is the second significant funding source for the own capital programme over the medium-term with an estimated R50,196 translating to 33,29% of the total capital program.

The following table is a detailed analysis of the Municipality is borrowing liability.

Table 33 MBRR Table SA17 - Detail of borrowings

WC048 Knysna - Supporting Table SA17 Borrowing

Borrowing - Categorised by type	Ref	2018/19 Medium Term Revenue & Expenditure Framework		
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand				
Parent municipality				
Annuity and Bullet Loans		163,132	197,938	233,449
Municipality sub-total	1	163,132	197,938	233,449
Total Borrowing	1	163,132	197,938	233,449

The following graph illustrates the growth of borrowing sin relation to Capital funding for the period.

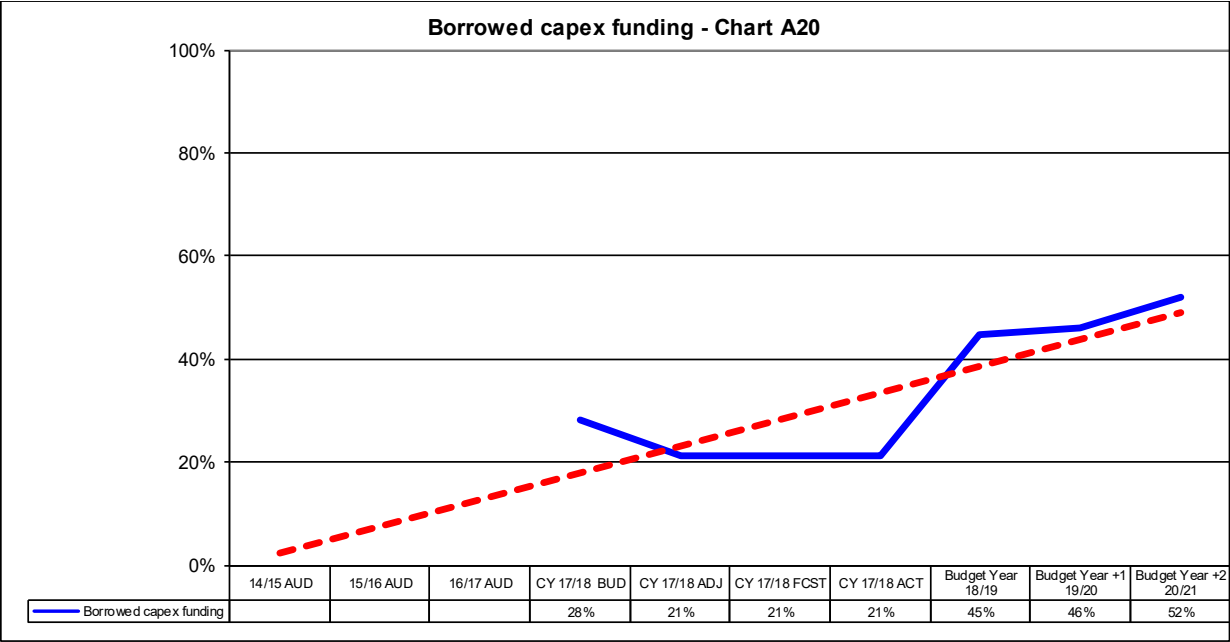


Figure 7 Growth in borrowing in relation to total capital funding

Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management.

Table 34 MBRR Table A7 - Budgeted cash flow statement

WC048 Knysna - Table A7 Budgeted Cash Flows

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Property rates		190,205	194,816	194,816	198,171	214,192	226,862
Service charges		326,529	320,204	320,204	369,201	395,849	423,652
Other revenue		113,149	44,675	44,675	42,543	44,791	47,155
Government - operating	1	140,596	134,896	134,896	153,822	147,811	121,065
Government - capital	1	58,101	80,098	80,098	53,360	33,000	28,603
Interest		13,055	22,103	22,103	22,023	22,556	23,118
Dividends			-	-	-	-	-
Payments							
Suppliers and employees		(676,307)	(664,938)	(664,938)	(704,174)	(727,446)	(722,068)
Finance charges		(19,502)	(23,322)	(23,322)	(14,395)	(20,039)	(25,269)
Transfers and Grants	1	(2,280)	(8,415)	(8,415)	(3,150)	(2,792)	(2,792)
NET CASH FROM/(USED) OPERATING ACTIVITIES		143,546	100,116	100,116	117,400	107,924	120,325
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE		500	500	500	1,000	-	-
Payments							
Capital assets		(137,512)	(163,867)	(163,867)	(147,687)	(121,635)	(110,946)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(137,012)	(163,367)	(163,367)	(146,687)	(121,635)	(110,946)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Short term loans			-	-	-	-	-
Borrowing long term/refinancing		38,570	35,033	35,033	50,196	45,373	50,324
Increase (decrease) in consumer deposits		731	723	723	770	819	871
Payments							
Repayment of borrowing		(14,117)	(14,117)	(14,117)	(16,736)	(18,702)	(16,625)
NET CASH FROM/(USED) FINANCING ACTIVITIES		25,183	21,639	21,639	34,229	27,489	34,570
NET INCREASE/ (DECREASE) IN CASH HELD		31,717	(41,612)	(41,612)	4,942	13,778	43,950
Cash/cash equivalents at the year begin:	2	75,566	108,213	108,213	67,227	72,169	85,946
Cash/cash equivalents at the year end:	2	107,284	66,601	66,601	72,169	85,946	129,896

For the 2018/19 MTREF the budget has been prepared to ensure sustained levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R70,640 million by 2018/19 and steadily increasing to R125,029 million by 2020/21.

2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- The predicted cash and investments available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. It is also important to analyse trends to understand the consequences. Small cash surpluses have been realised over the past three years, which is inevitably utilised to finance capital. The working capital has to be optimally managed.

Table 35 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

WC048 Knysna - Table A8 Cash backed reserves/accumulated surplus reconciliation

W0648 Rhyshia - Table A6 Cash Backed Reserves/accumulated surplus reconciliation							
Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
<u>Cash and investments available</u>							
Cash/cash equivalents at the year end	1	107,284	66,601	66,601	72,169	85,946	129,896
Other current investments > 90 days		-	-	626	-	-	-
Non current assets - Investments	1	27,131	30,349	30,343	30,343	30,343	30,343
Cash and investments available:		134,414	96,950	97,569	102,511	116,289	160,239
<u>Application of cash and investments</u>							
Unspent conditional transfers		-	-	4,898	4,898	4,898	4,898
Unspent borrowing		-	-	-	-	-	-
Statutory requirements	2						
Other working capital requirements	3	(50,276)	(3,611)	(25,526)	(32,669)	(37,441)	(40,150)
Other provisions		26,612	28,033	28,033	29,715	31,498	33,388
Long term investments committed	4	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	101,320	45,631	45,631	45,631	45,631	45,631
Total Application of cash and investments:		77,655	70,053	53,035	47,575	44,585	43,766
Surplus(shortfall)		56,759	26,897	44,534	54,937	71,704	116,473

From the above table it can be seen that the cash and investments total R100,982 million in the 2018/209 financial year and increase to R155,372 million by 2019/20, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. Stringent measures have been implemented by NT regarding unspent grants.
- Unspent borrowing from the previous financial year is anticipated. Borrowings are only drawn down once substantial expenditure has incurred against the particular projects.
- Provisions for statutory requirements could include VAT owing to SARS at year end.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing

of receipts of funds from debtors and payments due to employees and creditors. For the purpose of the cash backed reserves and accumulated surplus reconciliation, at least two months operational expenditure is covered at all times. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.

When considering the funding requirements of section 18 and 19 of the MFMA, it needs to be noted that for all practical purposes the 2018/2019 MTREF is funded, from a pure cash flow perspective (cash out flow versus cash inflow), and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

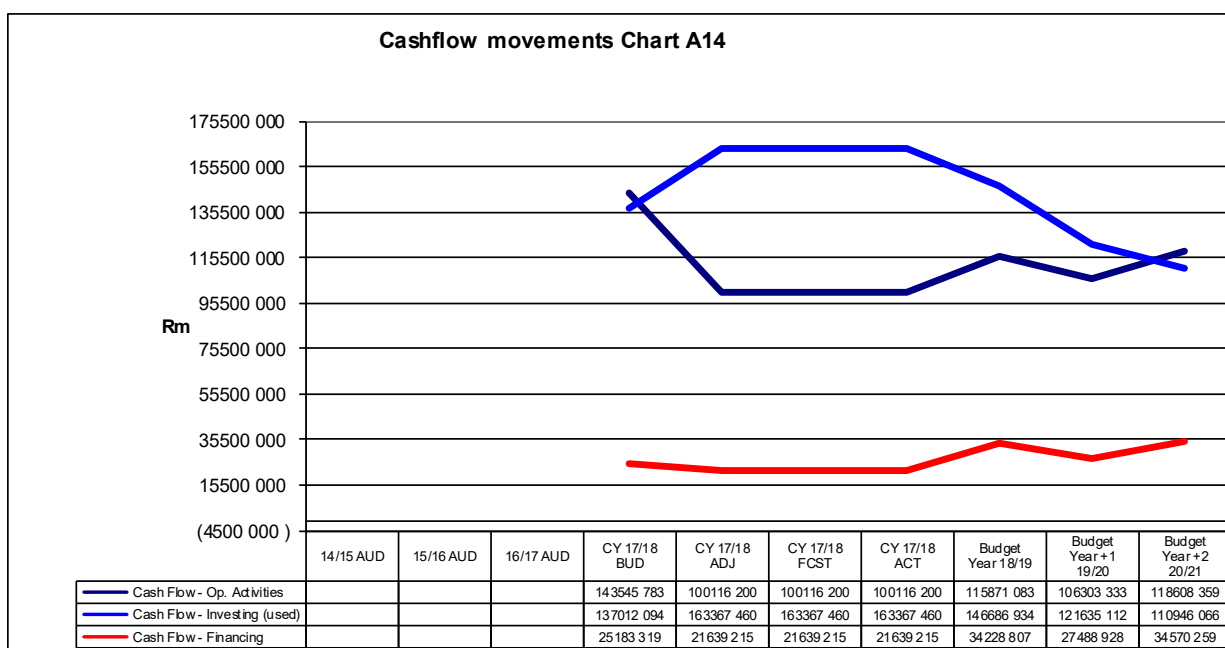


Figure 8 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.6.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2018/19 MTREF shows R71 million, R83 million and R125 million for each respective financial year.

2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 22, on page 41. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as services boycotts. The ratio is at 1.1% for the 2018/2019 MTREF.

2.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. The issue relating to depreciation has been discussed at length elsewhere in this report. This indicator cannot be measured as depreciation offset do not form part of the GRAP reporting framework. It needs to be noted that a deficit does not necessarily mean that the budget not is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.4.5 Property Rates/service revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 5.3%). Refer to Annexure B for Rates, Tariffs and Service Charges.

2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. Given that the assumed collection rate was based on a 94% performance target, the cash flow statement has been accurately determined. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.7 Debt impairment expense as a percentage of billable revenue Knysna Municipality

has provided for adequate Debt impairment.

2.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to ensure strict compliance with the legislative requirement that creditors be paid within 30 days.

2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 33%, 36% and 44% of own funded capital.

2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

2.6.4.12 Repairs and maintenance expenditure level

This measure must be considered within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 48 MBRR SA34C on page 86.

2.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The new mSCOA Framework has further categorised asset classes. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 47 MBRR SA34b on page 85.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 36 MBRR SA19 - Expenditure on transfers and grant programmes

WC048 Knysna - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand							
EXPENDITURE:	1						
Operating expenditure of Transfers and Grants							
National Government:		79,771	79,575	79,575	88,650	93,810	101,573
Equitable Share		70,833	70,833	70,833	78,375	85,909	94,186
Financial Management Grant		1,550	1,550	1,550	1,550	1,550	1,550
Municipal Infrastructure Grant		4,047	4,047	4,047	4,277	4,483	4,768
Neighbourhood Development Partnership Grant		1,274	1,362	1,362	1,565	-	-
Expanded Public Works Programme Integrated Grant		1,415	1,415	1,415	1,187	-	-
Integrated National Electrification Programme Grant		652	368	368	913	1,085	417
Other transfers and grants [insert description]		-	-	-	783	783	652
Provincial Government:		60,968	55,121	55,121	64,972	54,001	19,492
Community Development Workers		56	56	56	56	56	56
Housing		52,360	44,168	44,168	55,074	44,200	9,750
Libraries, Archives and Museums		8,470	7,901	7,901	8,907	9,181	9,686
Other - Fire Services		-	147	147	-	-	-
Public Transport		82	82	82	86	-	-
Maintenance of Road Infrastructure		-	487	487	-	-	-
Other - Financial Management Support (WC_FMGSG)		-	2,280	2,280	849	564	-
Other grant providers:		200	200	200	200	-	-
Non-profit institutions - Unspecified		200	200	200	200	-	-
						-	-
Total operating expenditure of Transfers and Grants:		140,939	134,896	134,896	153,822	147,811	121,065
Capital expenditure of Transfers and Grants							
National Government:		32,765	33,722	33,722	42,056	33,000	28,603
Integrated National Electrification Program		2,632	2,632	2,632	5,217	5,217	4,348
Municipal Infrastructure Grant		21,361	21,361	21,361	20,317	20,548	21,472
Neighbourhood Development Partnership Grant		8,772	9,729	9,729	10,435	-	-
Integrated National Electrification Programme Grant					6,087	7,235	2,783
Provincial Government:		25,523	49,704	46,376	11,304	-	-
Housing		22,014	39,804	36,477	10,000	-	-
Libraries, Archives and Museums		3,509	5,733	5,733	1,304	-	-
Municipal Infrastructure Grant		-	3,113	3,113	-	-	-
Public Transport		-	1,053	1,053	-	-	-
Total capital expenditure of Transfers and Grants		58,288	83,425	80,098	53,360	33,000	28,603
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		199,227	218,322	214,994	207,182	180,811	149,668

Table 37 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

WC048 Knysna - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description R thousand	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Operating transfers and grants:	1,3						
National Government:							
Balance unspent at beginning of the year		330	330	330	-	-	-
Current year receipts		79,441	79,575	79,575	88,650	93,810	101,573
Conditions met - transferred to revenue		79,771	79,905	79,905	88,650	93,810	101,573
Conditions still to be met - transferred to liabilities							
Provincial Government:							
Balance unspent at beginning of the year		3,327	3,327	3,327	-	-	-
Current year receipts		60,968	55,121	55,121	64,972	54,001	19,492
Conditions met - transferred to revenue		64,295	58,448	58,448	64,972	54,001	19,492
Conditions still to be met - transferred to liabilities							
Other grant providers:							
Balance unspent at beginning of the year							
Current year receipts		200	200	200	200	-	-
Conditions met - transferred to revenue		200	200	200	200	-	-
Conditions still to be met - transferred to liabilities							
Total operating transfers and grants revenue		144,266	138,553	138,553	153,822	147,811	121,065
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-
Capital transfers and grants:	1,3						
National Government:							
Balance unspent at beginning of the year							
Current year receipts		32,765	33,722	33,722	42,056	33,000	28,603
Conditions met - transferred to revenue		32,765	33,722	33,722	42,056	33,000	28,603
Conditions still to be met - transferred to liabilities							
Provincial Government:							
Balance unspent at beginning of the year							
Current year receipts		25,523	46,376	46,376	11,304	-	-
Conditions met - transferred to revenue		25,523	46,376	46,376	11,304	-	-
Conditions still to be met - transferred to liabilities							
Total capital transfers and grants revenue		58,288	80,098	80,098	53,360	33,000	28,603
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		202,554	218,651	218,651	207,182	180,811	149,668
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-

2.8 Councillor and employee benefits

Table 38 MBRR SA22 - Summary of councillor and staff benefits

WC048 Knysna - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
		D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1						
Basic Salaries and Wages		6,602	5,752	5,752	6,481	6,831	7,200
Pension and UIF Contributions		79	244	244	281	296	312
Medical Aid Contributions		94	172	172	133	140	148
Motor Vehicle Allowance		1,066	1,917	1,917	1,083	1,141	1,203
Cellphone Allowance		460	857	857	675	711	750
Sub Total - Councillors		8,302	8,942	8,942	8,653	9,120	9,612
% increase	4	-	7.7%	-	(3.2%)	5.4%	5.4%
Senior Managers of the Municipality	2						
Basic Salaries and Wages		5,499	9,112	9,112	4,473	4,714	4,969
Pension and UIF Contributions		534	736	736	673	710	748
Medical Aid Contributions		199	102	102	143	151	159
Overtime		-	-	-	-	-	-
Performance Bonus		815	815	815	182	192	202
Motor Vehicle Allowance	3	433	487	487	212	224	236
Cellphone Allowance	3	-	441	441	118	125	132
Housing Allowances	3	-	13	13	-	-	-
Other benefits and allowances	3	196	333	333	168	177	186
Sub Total - Senior Managers of Municipality		7,676	12,038	12,038	5,970	6,292	6,632
% increase	4	-	56.8%	-	(50.4%)	5.4%	5.4%
Other Municipal Staff							
Basic Salaries and Wages		128,681	134,601	134,601	156,737	163,459	172,365
Pension and UIF Contributions		22,863	23,156	23,156	27,502	28,915	30,404
Medical Aid Contributions		13,741	13,507	13,507	15,595	16,437	17,324
Overtime		17,093	19,251	19,251	21,161	22,303	23,508
Performance Bonus		9,917	1,419	1,419	-	-	-
Motor Vehicle Allowance	3	3,599	3,937	3,937	3,624	3,819	4,025
Cellphone Allowance	3	-	1,380	1,380	806	849	895
Housing Allowances	3	2,552	2,580	2,580	3,223	3,397	3,579
Other benefits and allowances	3	6,963	19,306	19,306	16,532	17,424	18,365
Payments in lieu of leave		1,568	1,610	1,610	1,610	1,697	1,789
Long service awards		1,056	56	56	56	59	62
Post-retirement benefit obligations	6	4,410	6,987	6,987	1,385	1,459	1,538
Sub Total - Other Municipal Staff		212,444	227,789	227,789	248,230	259,818	273,855
% increase	4	-	7.2%	-	9.0%	4.7%	5.4%
Total Parent Municipality		228,421	248,769	248,769	262,852	275,230	290,099
		-	8.9%	-	5.7%	4.7%	5.4%
TOTAL SALARY, ALLOWANCES & BENEFITS		228,421	248,769	248,769	262,852	275,230	290,099
% increase	4	-	8.9%	-	5.7%	4.7%	5.4%
TOTAL MANAGERS AND STAFF	5,7	220,119	239,827	239,827	254,199	266,110	280,487

Table 39 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/senior managers)

WC048 Knysna - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		493,068		199,290			692,358
Chief Whip								-
Executive Mayor			580,578	34,054	241,075			855,707
Deputy Executive Mayor								-
Executive Committee			1,952,554	246,114	410,644			2,609,312
Total for all other councillors			3,454,700	98,396	906,839			4,459,935
Total Councillors	8	-	6,480,900	378,564	1,757,848			8,617,313
Senior Managers of the Municipality	5							
Municipal Manager (MM)			840,984	176,928	162,000	117,738		1,297,650
Chief Finance Officer			908,597	225,080	170,865	202,920		1,507,462
Director Technical Services			791,676	1,785	86,072	110,835		990,368
Director Community Services			655,291	173,423		146,348		975,062
Director Corporate Services			621,553	166,396		138,813		926,762
Director Planning and Development			654,348	176,754	82,702	91,609		
Senior Manager Electro Technical			596,806	161,242	6,000	49,734		
Total Senior Managers of the Municipality	8,10	-	5,069,255	1,081,608	507,639	857,996		5,697,304
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE	10	-	11,550,156	1,460,172	2,265,487	857,996		14,314,616

2.9 Monthly targets for revenue, expenditure and cash flow

Table 40 MBRR SA25 - Budgeted monthly revenue and expenditure

WC048 Knysna - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue By Source																
Property rates		12,816	14,217	45,235	22,617	19,925	13,032	13,678	14,109	15,078	14,971	15,617	14,109	215,403	227,864	241,342
Service charges - electricity revenue		23,707	23,205	17,435	18,188	18,439	22,202	22,578	16,933	18,564	22,578	23,205	23,832	250,865	269,228	288,936
Service charges - water revenue		5,528	5,687	5,926	6,244	7,318	8,074	8,312	7,755	7,517	6,244	5,568	5,369	79,542	84,155	89,121
Service charges - sanitation revenue		2,457	2,457	2,457	2,457	2,457	2,457	2,457	2,457	2,457	2,457	2,457	2,457	29,482	31,192	33,032
Service charges - refuse revenue		2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194	2,194	26,323	27,851	29,496
Service charges - other														-	-	-
Rental of facilities and equipment		555	555	555	555	555	555	555	555	555	555	555	555	6,657	7,003	7,367
Interest earned - external investments		1,017	1,217	1,147	970	976	1,158	882	941	1,058	882	806	706	11,760	11,760	11,760
Interest earned - outstanding debtors		743	767	1,105	1,268	1,177	1,056	912	996	1,026	1,020	1,008	996	12,074	12,702	13,362
Dividends received														-	-	-
Fines, penalties and forfeits		9,677	7,963	7,299	7,023	9,401	11,779	13,216	7,465	9,677	9,898	7,963	9,235	110,597	116,458	122,631
Licences and permits		131	131	131	131	131	131	131	131	131	131	131	131	1,572	1,654	1,742
Agency services		242	242	242	242	242	242	242	242	242	242	242	242	2,909	3,066	3,235
Transfers and subsidies		61,529	-	-	-	38,456	-	-	30,764	15,382	-	-	7,691	153,822	147,811	121,065
Other revenue		1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	12,538	13,198	13,884
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	-	-
Total Revenue (excluding capital transfers and contributions)		121,641	59,679	84,770	62,933	102,314	63,924	66,201	85,588	74,927	62,216	60,790	69,561	914,544	953,942	976,973
Expenditure By Type																
Employee related costs		20,183	20,183	20,183	20,183	32,207	20,183	20,183	20,183	20,183	20,183	20,183	20,158	254,199	266,110	280,487
Remuneration of councillors		721	721	721	721	721	721	721	721	721	721	721	721	8,653	9,120	9,612
Debt impairment		3,919	4,355	4,137	3,157	4,137	3,430	3,266	3,430	3,048	2,994	4,355	68,646	108,875	111,177	117,310
Depreciation & asset impairment		2,626	2,626	2,626	2,626	2,626	2,626	2,626	2,626	2,626	2,626	2,626	2,626	31,511	31,719	31,284
Finance charges		360	360	360	360	360	5,614	360	360	360	360	360	5,182	14,395	20,039	25,269
Bulk purchases		16,752	16,398	12,321	12,852	13,030	15,689	15,955	11,966	13,118	15,955	16,398	16,841	177,274	185,854	194,850
Other materials		4,275	4,526	4,652	4,149	4,275	2,515	2,766	4,023	4,275	4,778	4,904	5,155	50,292	73,861	40,880
Contracted services		13,867	16,034	16,381	15,861	15,601	11,267	12,134	13,781	15,514	14,994	14,127	13,781	173,343	151,786	155,244
Transfers and subsidies		263	263	263	263	263	263	263	263	263	263	263	263	3,150	2,792	2,792
Other expenditure		5,063	4,497	4,299	4,808	5,006	3,394	3,309	5,374	4,667	4,837	5,515	5,798	56,568	58,683	60,493
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure		68,030	69,963	65,943	64,981	78,225	65,701	61,583	62,726	64,775	67,710	69,452	139,170	878,261	911,140	918,221
Surplus/(Deficit)		53,611	(10,284)	18,827	(2,047)	24,089	(1,778)	4,618	22,861	10,151	(5,494)	(8,662)	(69,609)	36,284	42,803	58,752
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		6,670	4,002	4,536	2,134	4,269	2,668	2,668	6,136	5,336	4,269	4,802	5,870	53,360	33,000	28,603
Surplus/(Deficit) after capital transfers & contributions		60,281	(6,282)	23,363	87	28,358	890	7,286	28,998	15,487	(1,225)	(3,860)	(63,740)	89,643	75,803	87,355
Taxation														-	-	-
Attributable to minorities														-	-	-
Share of surplus/ (deficit) of associate														-	-	-
Surplus/(Deficit)	1	60,281	(6,282)	23,363	87	28,358	890	7,286	28,998	15,487	(1,225)	(3,860)	(63,740)	89,643	75,803	87,355

Table 41 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

WC048 Knysna - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue by Vote																
Vote 1 - Executive & Council		1,776	882	1,236	901	1,476	922	953	1,270	1,111	920	908	1,044	13,401	13,168	14,212
Vote 2 - Corporate Services		586	291	408	297	486	304	314	419	366	303	299	344	4,417	4,643	4,881
Vote 3 - Financial Services		31,494	15,631	21,920	15,971	26,161	16,345	16,904	22,514	19,701	16,319	16,100	18,515	237,576	249,691	262,915
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		10,782	5,351	7,504	5,467	8,956	5,595	5,787	7,707	6,744	5,587	5,511	6,338	81,330	47,807	13,545
Vote 6 - Community Services		23,505	11,665	16,359	11,919	19,524	12,199	12,616	16,802	14,703	12,179	12,016	13,818	177,306	185,811	192,520
Vote 7 - Electrical Services		38,461	19,088	26,769	19,504	31,948	19,961	20,643	27,494	24,058	19,929	19,661	22,610	290,125	312,073	328,134
Vote 8 - Technical Services		21,708	10,774	15,109	11,008	18,032	11,266	11,651	15,518	13,579	11,248	11,097	12,761	163,750	173,749	189,369
Total Revenue by Vote		128,311	63,681	89,305	65,068	106,583	66,592	68,869	91,724	80,262	66,485	65,592	75,431	967,904	986,942	1,005,576
Expenditure by Vote to be appropriated																
Vote 1 - Executive & Council		2,874	2,952	2,779	2,736	3,281	3,070	2,600	2,647	2,728	2,855	2,936	6,370	37,828	38,250	39,619
Vote 2 - Corporate Services		2,918	2,997	2,822	2,778	3,332	3,117	2,640	2,688	2,770	2,899	2,982	6,468	38,411	38,774	40,151
Vote 3 - Financial Services		5,477	5,625	5,296	5,214	6,253	5,851	4,954	5,045	5,199	5,441	5,596	12,139	72,090	76,513	76,559
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		7,695	7,902	7,440	7,326	8,785	8,219	6,960	7,087	7,304	7,643	7,861	17,053	101,277	84,369	51,351
Vote 6 - Community Services		17,384	17,852	16,807	16,549	19,847	18,568	15,724	16,011	16,500	17,267	17,760	38,526	228,797	240,696	253,089
Vote 7 - Electrical Services		16,659	17,107	16,106	15,859	19,019	17,794	15,069	15,344	15,812	16,547	17,019	36,919	219,254	232,356	243,336
Vote 8 - Technical Services		13,722	14,092	13,267	13,064	15,666	14,657	12,412	12,639	13,025	13,630	14,019	30,411	180,604	200,181	214,117
Total Expenditure by Vote		66,730	68,526	64,515	63,527	76,184	71,277	60,360	61,461	63,339	66,283	68,172	147,886	878,261	911,140	918,221
Surplus/(Deficit) before assoc.		61,580	(4,845)	24,790	1,541	30,399	(4,685)	8,510	30,263	16,924	202	(2,580)	(72,455)	89,643	75,803	87,355
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	61,580	(4,845)	24,790	1,541	30,399	(4,685)	8,510	30,263	16,924	202	(2,580)	(72,455)	89,643	75,803	87,355

Table 42 MBRR SA27 - Budgeted monthly revenue and expenditure (functional classification)

WC048 Knysna - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand																
Revenue - Functional																
Governance and administration		35,447	17,593	24,672	17,976	29,445	18,397	19,026	25,340	22,173	18,367	18,121	20,839	267,393	267,502	282,008
Executive and council		1,776	882	1,236	901	1,476	922	953	1,270	1,111	920	908	1,044	13,401	13,168	14,212
Finance and administration		33,671	16,711	23,435	17,075	27,969	17,475	18,072	24,070	21,062	17,447	17,212	19,794	253,993	254,334	267,796
Community and public safety		10,871	5,395	7,566	5,513	9,030	5,642	5,835	7,771	6,800	5,633	5,557	6,391	82,004	60,673	23,001
Community and social services		2,059	1,022	1,433	1,044	1,710	1,069	1,105	1,472	1,288	1,067	1,053	1,211	15,533	14,624	11,307
Sport and recreation		188	93	131	95	156	98	101	134	118	97	96	111	1,418	1,492	1,569
Public safety		11	5	7	5	9	6	6	8	7	6	5	6	81	85	90
Housing		8,613	4,275	5,995	4,368	7,155	4,470	4,623	6,157	5,388	4,463	4,403	5,063	64,972	44,471	10,035
Economic and environmental services		16,008	7,945	11,141	8,118	13,297	8,308	8,592	11,443	10,013	8,294	8,183	9,411	120,753	125,916	132,901
Planning and development		741	368	516	376	615	384	398	530	463	384	379	435	5,587	4,736	5,056
Road transport		15,267	7,577	10,626	7,742	12,682	7,923	8,194	10,914	9,550	7,911	7,804	8,975	115,165	121,180	127,845
Trading services		65,985	32,749	45,926	33,462	54,811	34,245	35,417	47,170	41,276	34,191	33,731	38,791	497,754	532,851	567,666
Energy sources		38,461	19,088	26,769	19,504	31,948	19,961	20,643	27,494	24,058	19,929	19,661	22,610	290,125	312,073	328,134
Water management		15,494	7,690	10,784	7,857	12,870	8,041	8,316	11,076	9,692	8,028	7,920	9,109	116,878	116,192	131,167
Waste water management		6,039	2,997	4,203	3,063	5,017	3,134	3,242	4,317	3,778	3,129	3,087	3,550	45,557	56,156	56,421
Waste management		5,991	2,973	4,170	3,038	4,977	3,109	3,216	4,283	3,748	3,104	3,063	3,522	45,194	48,429	51,944
Total Revenue - Functional		128,311	63,681	89,305	65,068	106,583	66,592	68,869	91,724	80,262	66,485	65,592	75,431	967,904	986,942	1,005,576
Expenditure - Functional																
Governance and administration		12,485	12,821	12,071	11,886	14,254	13,336	11,293	11,499	11,850	12,401	12,755	27,669	164,320	169,999	173,627
Executive and council		2,229	2,289	2,155	2,122	2,545	2,381	2,016	2,053	2,116	2,214	2,277	4,940	29,339	30,101	31,114
Finance and administration		9,991	10,260	9,659	9,511	11,407	10,672	9,037	9,202	9,483	9,924	10,207	22,142	131,497	136,752	139,280
Internal audit		265	272	256	252	302	283	239	244	251	263	270	587	3,484	3,147	3,234
Community and public safety		10,884	11,177	10,522	10,361	12,426	11,625	9,845	10,024	10,331	10,811	11,119	24,120	143,245	134,907	104,636
Community and social services		2,143	2,200	2,072	2,040	2,446	2,289	1,938	1,973	2,034	2,128	2,189	4,749	28,201	30,043	31,484
Sport and recreation		1,364	1,400	1,318	1,298	1,557	1,457	1,233	1,256	1,294	1,354	1,393	3,022	17,947	19,114	19,816
Public safety		2,164	2,222	2,092	2,060	2,471	2,312	1,958	1,993	2,054	2,150	2,211	4,796	28,484	30,245	31,852
Housing		5,213	5,353	5,040	4,963	5,952	5,568	4,716	4,802	4,948	5,178	5,326	11,553	68,612	55,505	21,484
Economic and environmental services		14,417	14,805	13,938	13,724	16,459	15,399	13,040	13,278	13,684	14,320	14,728	31,950	189,742	204,656	215,883
Planning and development		2,505	2,573	2,422	2,385	2,860	2,676	2,266	2,308	2,378	2,489	2,560	5,552	32,974	30,898	32,515
Road transport		11,417	11,724	11,038	10,869	13,034	12,195	10,327	10,516	10,837	11,340	11,664	25,302	150,263	168,145	177,895
Environmental protection		494	508	478	471	564	528	447	455	469	491	505	1,095	6,505	5,614	5,473
Trading services		28,945	29,724	27,984	27,555	33,046	30,917	26,182	26,660	27,474	28,751	29,571	64,147	380,955	401,577	424,075
Energy sources		16,414	16,856	15,869	15,626	18,740	17,533	14,847	15,118	15,580	16,304	16,769	36,377	216,033	228,974	239,781
Water management		5,526	5,675	5,343	5,261	6,309	5,903	4,999	5,090	5,245	5,489	5,646	12,247	72,734	76,437	83,088
Waste water management		3,194	3,280	3,088	3,041	3,647	3,412	2,889	2,942	3,032	3,173	3,263	7,079	42,043	46,437	48,831
Waste management		3,810	3,913	3,684	3,627	4,350	4,070	3,446	3,509	3,616	3,785	3,892	8,444	50,145	49,729	52,374
Total Expenditure - Functional		66,730	68,526	64,515	63,527	76,184	71,277	60,360	61,461	63,339	66,283	68,172	147,886	878,261	911,140	918,221
Surplus/(Deficit) before assoc.		61,580	(4,845)	24,790	1,541	30,399	(4,685)	8,510	30,263	16,924	202	(2,580)	(72,455)	89,643	75,803	87,355
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	61,580	(4,845)	24,790	1,541	30,399	(4,685)	8,510	30,263	16,924	202	(2,580)	(72,455)	89,643	75,803	87,355

Table 43 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

WC048 Knysna - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Multi-year expenditure to be appropriated	1															
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		-	150	50	200	100	-	-	-	-	-	-	500	1,000	-	-
Vote 3 - Financial Services		-	1,150	-	-	-	-	-	-	-	-	-	-	1,150	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Community Services		-	600	2,250	2,350	2,000	1,500	1,100	1,635	1,500	1,526	750	2,140	17,351	1,851	-
Vote 7 - Electrical Services		150	175	800	1,000	1,250	250	1,950	1,450	1,400	1,425	2,075	(625)	11,300	11,600	11,500
Vote 8 - Technical Services		1,171	3,571	4,314	6,183	7,841	5,926	5,663	7,407	5,101	3,428	2,599	5,754	58,960	49,630	62,389
Capital multi-year expenditure sub-total	2	1,321	5,646	7,414	9,733	11,191	7,676	8,713	10,492	8,001	6,379	5,424	7,769	89,760	63,081	73,889
Single-year expenditure to be appropriated																
Vote 1 - Executive & Council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services		36	20	-	-	-	-	-	-	-	-	-	-	56	56	56
Vote 3 - Financial Services		-	250	250	500	-	-	-	-	-	-	-	-	1,000	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		-	-	250	950	1,750	1,500	1,500	1,650	1,000	750	500	290	10,140	-	-
Vote 6 - Community Services		-	-	900	380	1,240	40	130	-	-	1,000	754	(754)	3,690	6,208	1,574
Vote 7 - Electrical Services		175	200	560	2,025	1,530	1,500	3,000	3,150	1,642	1,500	1,150	(1,138)	15,294	21,742	8,331
Vote 8 - Technical Services		-	-	625	1,150	1,825	1,600	1,750	4,000	4,250	3,750	3,492	8,359	30,801	33,373	30,064
Capital single-year expenditure sub-total	2	211	470	2,585	5,005	6,345	4,640	6,380	8,800	6,892	7,000	5,897	6,757	60,981	61,378	40,025
Total Capital Expenditure	2	1,532	6,116	9,999	14,738	17,536	12,316	15,093	19,292	14,893	13,379	11,320	14,525	150,742	124,459	113,914

Table 44 MBRR SA29 - Budgeted monthly capital expenditure (functional classification)

WC048 Knysna - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		36	1,570	300	700	100	-	-	-	-	-	-	640	3,346	56	56
Finance and administration		36	1,570	300	700	100	-	-	-	-	-	-	640	3,346	56	56
<i>Community and public safety</i>		-	600	2,600	3,680	4,390	3,040	2,600	3,285	2,500	3,276	2,004	1,535	29,511	7,459	974
Community and social services		-	600	2,350	2,350	2,000	1,500	1,100	1,635	1,500	1,526	750	2,140	17,451	3,051	174
Sport and recreation		-	-	-	320	40	40	-	-	-	1,000	754	(754)	1,400	4,408	800
Public safety		-	-	-	60	600	-	-	-	-	-	-	-	660	-	-
Housing		-	-	250	950	1,750	1,500	1,500	1,650	1,000	750	500	150	10,000	-	-
<i>Economic and environmental services</i>		171	1,371	1,714	1,783	1,941	1,621	983	1,857	1,636	1,623	1,749	2,900	19,350	12,330	13,084
Planning and development		-	-	-	-	-	-	-	-	-	-	-	250	250	-	-
Road transport		171	1,371	1,714	1,783	1,941	1,621	983	1,857	1,636	1,623	1,749	2,650	19,100	12,330	13,084
<i>Trading services</i>		1,325	2,575	5,385	8,575	11,105	7,655	11,510	14,150	10,757	8,481	7,567	9,450	98,535	104,614	99,800
Energy sources		325	375	1,360	3,025	2,780	1,750	4,950	4,600	3,042	2,925	3,225	(1,763)	26,594	33,342	19,831
Water management		1,000	2,200	2,725	3,450	4,575	4,015	3,080	5,700	4,215	3,100	2,692	6,167	42,919	55,319	59,324
Waste water management		-	-	500	2,100	3,150	1,890	3,350	3,850	3,500	2,456	1,650	5,046	27,492	15,353	20,045
Waste management		-	-	800	-	600	-	130	-	-	-	-	-	1,530	600	600
Total Capital Expenditure - Functional	2	1,532	6,116	9,999	14,738	17,536	12,316	15,093	19,292	14,893	13,379	11,320	14,525	150,742	124,459	113,914
Funded by:																
National Government		1,175	2,700	4,750	5,025	5,250	5,115	2,750	3,885	3,222	4,376	2,504	1,304	42,056	33,001	28,603
Provincial Government		36	20	250	950	1,750	1,500	1,500	1,650	1,000	750	500	1,454	11,360	56	56
District Municipality		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital		1,211	2,720	5,000	5,975	7,000	6,615	4,250	5,535	4,222	5,126	3,004	2,758	53,416	33,057	28,659
Public contributions & donations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	200	1,285	5,550	4,805	3,540	6,880	9,100	7,765	4,806	4,742	1,523	50,196	45,373	50,324
Internally generated funds		321	3,196	3,714	3,213	5,731	2,161	3,963	4,657	2,906	3,448	3,574	10,245	47,130	46,030	34,930
Total Capital Funding		1,532	6,116	9,999	14,738	17,536	12,316	15,093	19,292	14,893	13,379	11,320	14,525	150,742	124,459	113,914

Table 45 MBRR SA30 - Budgeted monthly cash flow

WC048 Knysna - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source															
Property rates	11,791	13,079	41,616	20,808	18,331	11,989	12,584	12,980	13,872	13,773	14,367	12,980	198,171	214,192	226,862
Service charges - electricity revenue	23,470	22,973	17,261	18,006	18,254	21,980	22,352	16,764	18,378	22,352	22,973	23,594	248,356	266,536	286,046
Service charges - water revenue	5,086	5,232	5,452	5,745	6,732	7,428	7,647	7,135	6,915	5,745	5,123	4,940	73,179	77,423	81,991
Service charges - sanitation revenue	2,064	2,064	2,064	2,064	2,064	2,064	2,064	2,064	2,064	2,064	2,064	2,064	24,765	26,825	29,068
Service charges - refuse revenue	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	1,908	22,901	25,066	26,546
Rental of facilities and equipment	277	277	277	277	277	277	277	277	277	277	277	277	3,329	3,502	3,684
Interest earned - external investments	1,017	1,217	1,147	970	976	1,158	882	941	1,058	882	806	706	11,760	11,760	11,760
Interest earned - outstanding debtors	631	652	939	1,078	1,001	898	775	847	872	867	857	847	10,263	10,796	11,358
Fines, penalties and forfeits	1,942	1,598	1,465	1,409	1,887	2,364	2,652	1,498	1,942	1,986	1,598	1,853	22,195	23,372	24,610
Licences and permits	131	131	131	131	131	131	131	131	131	131	131	131	1,572	1,654	1,742
Agency services	242	242	242	242	242	242	242	242	242	242	242	242	2,909	3,066	3,235
Transfers and subsidies	61,529	–	–	–	38,456	–	–	30,764	15,382	–	–	7,691	153,822	147,811	121,065
Other revenue	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	12,538	13,198	13,884
Cash Receipts by Source	111,134	50,419	73,547	53,683	91,304	51,484	52,560	76,597	64,089	51,273	51,391	58,278	785,760	825,200	841,852
Other Cash Flows by Source															
Transfers receipts - capital	6,670	4,002	4,536	2,134	4,269	2,668	2,668	6,136	5,336	4,269	4,802	5,870	53,360	33,000	28,603
Proceeds on disposal of PPE												1,000	1,000	–	–
Borrowing long term/refinancing												50,196	50,196	45,373	50,324
Increase (decrease) in consumer deposits	73	71	53	56	57	68	69	52	57	69	71	73	770	819	871
Total Cash Receipts by Source	117,877	54,492	78,136	55,873	95,629	54,221	55,297	82,785	69,481	55,611	56,265	115,416	891,085	904,391	921,650
Cash Payments by Type															
Employee related costs	19,596	19,596	19,596	19,596	31,270	19,596	19,596	19,596	19,596	19,596	19,596	19,571	246,800	258,267	272,174
Remuneration of councillors	721	721	721	721	721	721	721	721	721	721	721	721	8,653	9,120	9,612
Finance charges	360	360	360	360	360	5,614	360	360	360	360	360	5,182	14,395	20,039	25,269
Bulk purchases - Electricity	16,413	16,066	12,071	12,592	12,766	15,371	15,631	11,724	12,852	15,631	16,066	16,500	173,682	181,637	189,773
Bulk purchases - Water & Sewer												–	–	–	–
Other materials	4,188	4,435	4,558	4,065	4,188	2,464	2,710	3,942	4,188	4,681	4,804	5,051	49,273	72,185	39,815
Contracted services	13,586	15,709	16,049	15,539	15,285	11,039	11,888	13,502	15,200	14,690	13,841	13,502	169,831	148,341	151,199
Transfers and grants - other	263	263	263	263	263	263	263	263	263	263	263	263	3,150	2,792	2,792
Other expenditure	4,960	4,406	4,212	4,711	4,905	3,325	3,242	5,265	4,572	4,739	5,404	5,681	55,421	57,352	58,917
Cash Payments by Type	60,087	61,555	57,829	57,847	69,756	58,392	54,411	55,371	57,752	60,681	61,054	66,470	721,205	749,731	749,551
Other Cash Flows/Payments by Type															
Capital assets	1,501	5,992	9,797	14,439	17,181	12,067	14,787	18,901	14,591	13,108	11,091	14,231	147,687	121,635	110,946
Repayment of borrowing	380	380	380	380	380	5,476	380	380	380	380	380	7,458	16,736	18,702	16,625
Other Cash Flows/Payments	44	46	48	42	44	26	28	41	44	49	50	53	515	546	578
Total Cash Payments by Type	62,013	67,974	68,054	72,709	87,361	75,960	69,607	74,694	72,767	74,218	72,575	88,212	886,142	890,614	877,700
NET INCREASE/(DECREASE) IN CASH HELD	55,864	(13,482)	10,082	(16,835)	8,268	(21,740)	(14,309)	8,092	(3,286)	(18,607)	(16,310)	27,205	4,942	13,778	43,950
Cash/cash equivalents at the month/year begin:	67,227	123,091	109,609	119,691	102,856	111,124	89,385	75,076	83,167	79,881	61,274	44,964	67,227	72,169	85,946
Cash/cash equivalents at the month/year end:	123,091	109,609	119,691	102,856	111,124	89,385	75,076	83,167	79,881	61,274	44,964	72,169	72,169	85,946	129,896

2.10 Annual budgets and SDBIP

The final draft SDBIP will be tabled as a separate item at the Council meeting to be held in June 2018.

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy all contracts awarded beyond the medium-term revenue and expenditure framework (three years) are listed in Table 51 on page 89. In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following four tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets, the repair and maintenance of assets and finally, the depreciation of assets.

Table 46 MBRR SA 34a - Capital expenditure on new assets by asset class

WC048 Knysna - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Capital expenditure on new assets by Asset Class/Sub-class							
Infrastructure		34,369	52,118	52,118	25,674	32,565	34,439
Roads Infrastructure		14,837	21,970	21,970	500	500	704
Roads		10,434	19,462	19,462	500	500	500
Road Structures		4,053	2,252	2,252	–	–	204
Capital Spares		350	255	255	–	–	–
Storm water Infrastructure		–	90	90	–	3,913	1,304
Drainage Collection			90	90	–	3,913	1,304
Electrical Infrastructure		5,132	8,239	8,239	18,944	18,052	14,331
MV Substations			–	–	800	1,200	3,200
MV Switching Stations			–	–	3,000	2,000	2,000
LV Networks		4,632	6,517	6,517	14,644	14,452	9,131
Capital Spares		500	1,722	1,722	500	400	–
Water Supply Infrastructure		3,000	6,215	6,215	3,500	9,500	17,500
Boreholes			2,236	2,236	–	–	–
Pump Stations			–	–	500	4,500	14,500
Capital Spares		3,000	3,979	3,979	3,000	5,000	3,000
Sanitation Infrastructure		11,000	15,204	15,204	2,000	–	–
Pump Station			–	–	2,000	–	–
Capital Spares		11,000	15,204	15,204	–	–	–
Solid Waste Infrastructure		400	400	400	730	600	600
Waste Drop-off Points			–	–	130	–	–
Capital Spares		400	400	400	600	600	600
Community Assets		4,186	3,344	3,344	4,112	1,751	–
Community Facilities		4,186	3,344	3,344	3,512	1,751	–
Halls		1,336	1,336	1,336	3,512	1,751	–
Theatres		350	508	508	–	–	–
Cemeteries/Crematoria		1,500	500	500	–	–	–
Public Ablution Facilities		1,000	1,000	1,000	–	–	–
Sport and Recreation Facilities		–	–	–	600	–	–
Outdoor Facilities			–	–	600	–	–
Other assets		580	1,256	1,256	10,000	–	–
Housing		580	1,256	1,256	10,000	–	–
Social Housing		580	1,256	1,256	10,000	–	–
Computer Equipment		–	1,048	1,048	1,000	–	–
Computer Equipment			1,048	1,048	1,000	–	–
Furniture and Office Equipment		20	1,330	1,330	1,746	56	56
Furniture and Office Equipment		20	1,330	1,330	1,746	56	56
Machinery and Equipment		–	50	50	60	–	–
Machinery and Equipment			50	50	60	–	–
Transport Assets		2,500	8,627	8,627	–	6,900	3,500
Transport Assets		2,500	8,627	8,627	–	6,900	3,500
Total Capital Expenditure on new assets	1	41,655	67,772	67,772	42,592	41,272	37,995

Table 47 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

WC048 Knysna - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Capital expenditure on renewal of existing assets by Asset Class/Sub-class							
Infrastructure		43,812	33,483	33,483	39,818	28,241	38,797
Roads Infrastructure		8,800	1,520	1,520	17,600	10,080	10,080
Roads		8,400	1,120	1,120	17,600	10,080	10,080
Road Structures		400	400	400	-	-	-
Electrical Infrastructure		10,842	9,077	9,077	4,000	6,000	4,300
MV Substations		1,250	-	-	-	-	-
MV Switching Stations		1,870	955	955	-	-	-
Capital Spares		7,722	8,122	8,122	4,000	6,000	4,300
Water Supply Infrastructure		18,546	18,546	18,546	18,018	10,961	15,617
Pump Stations		12,566	14,066	14,066	11,432	5,860	12,447
Bulk Mains			-	-	1,000	-	-
Distribution		2,033	533	533	1,700	2,057	-
Distribution Points		3,947	3,947	3,947	3,886	3,043	3,170
Sanitation Infrastructure		5,624	4,288	4,288	-	1,000	8,700
Pump Station		1,824	-	-	-	-	-
Waste Water Treatment Works		3,800	4,288	4,288	-	-	7,500
Capital Spares			-	-	-	1,000	1,200
Coastal Infrastructure		-	53	53	200	200	100
Promenades			53	53	200	200	100
Community Assets		3,000	1,547	1,547	-	-	-
Community Facilities		1,000	948	948	-	-	-
Centres		1,000	-	-	-	-	-
Testing Stations			948	948	-	-	-
Sport and Recreation Facilities		2,000	599	599	-	-	-
Outdoor Facilities		2,000	599	599	-	-	-
Other assets		875	1,470	1,470	-	-	-
Operational Buildings		875	508	508	-	-	-
Municipal Offices		875	508	508	-	-	-
Housing		-	961	961	-	-	-
Social Housing			961	961	-	-	-
Computer Equipment		1,285	54	54	-	-	-
Computer Equipment		1,285	54	54	-	-	-
Furniture and Office Equipment		580	-	-	-	-	-
Furniture and Office Equipment		580	-	-	-	-	-
Transport Assets		3,910	-	-	-	-	-
Transport Assets		3,910	-	-	-	-	-
Total Capital Expenditure on renewal of existing	1	53,462	36,554	36,554	39,818	28,241	38,797
Renewal of Existing Assets as % of total capex		38.9%	21.9%	21.9%	26.4%	22.7%	34.1%
Renewal of Existing Assets as % of deprecn"		173.0%	118.3%	118.3%	124.3%	87.8%	124.1%

Table 48 MBRR SA34c - Repairs and maintenance expenditure by asset class

WC048 Knysna - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Repairs and maintenance expenditure by Asset Class/Sub-class							
Infrastructure		59,422	222,010	222,010	49,521	62,699	66,147
Roads Infrastructure		35,550	198,077	198,077	26,036	37,470	39,531
<i>Roads</i>		35,500	198,057	198,057	26,015	37,417	39,475
<i>Capital Spares</i>		50	20	20	21	53	56
Storm water Infrastructure		1,000	1,000	1,000	1,053	1,054	1,112
<i>Drainage Collection</i>		1,000	1,000	1,000	1,053	1,054	1,112
Electrical Infrastructure		4,655	4,073	4,073	4,233	4,906	5,176
<i>HV Transmission Conductors</i>		4,565	3,993	3,993	4,149	4,812	5,077
<i>MV Networks</i>		90	80	80	84	95	100
Water Supply Infrastructure		10,392	11,096	11,096	10,424	10,953	11,556
<i>Pump Stations</i>		607	607	607	639	639	674
<i>Water Treatment Works</i>		6,383	6,627	6,627	6,568	6,728	7,098
<i>Capital Spares</i>		3,403	3,863	3,863	3,217	3,586	3,783
Sanitation Infrastructure		7,015	6,934	6,934	6,901	7,394	7,801
<i>Waste Water Treatment Works</i>		6,936	6,854	6,854	6,817	7,310	7,712
<i>Capital Spares</i>		80	80	80	84	84	88
Solid Waste Infrastructure		810	830	830	874	921	972
<i>Landfill Sites</i>		100	120	120	126	133	141
<i>Waste Transfer Stations</i>		510	510	510	537	566	597
<i>Waste Drop-off Points</i>		200	200	200	211	222	234
Community Assets		3,757	3,848	3,848	3,131	3,734	3,768
Community Facilities		2,458	2,419	2,419	1,731	2,191	2,225
<i>Halls</i>		301	301	301	108	301	301
<i>Fire/Ambulance Stations</i>		100	100	100	93	103	109
<i>Museums</i>		118	112	112	118	124	131
<i>Cemeteries/Crematoria</i>		215	225	225	-	-	-
<i>Police</i>		345	302	302	288	311	329
<i>Public Open Space</i>		1,219	1,219	1,219	1,074	1,299	1,299
<i>Public Ablution Facilities</i>		160	160	160	50	53	56
Sport and Recreation Facilities		1,299	1,429	1,429	1,400	1,543	1,543
<i>Outdoor Facilities</i>		1,299	1,429	1,429	1,400	1,543	1,543
Other assets		2,891	3,011	3,011	1,050	2,402	2,525
Operational Buildings		2,251	2,371	2,371	693	2,031	2,142
<i>Municipal Offices</i>		1,829	1,829	1,829	124	1,585	1,673
<i>Depots</i>		422	542	542	569	445	470
Housing		640	640	640	357	371	383
<i>Staff Housing</i>		150	150	150	280	291	303
<i>Social Housing</i>		490	490	490	77	80	80
Computer Equipment		-	1,183	1,183	1,221	1,221	1,221
Computer Equipment			1,183	1,183	1,221	1,221	1,221
Furniture and Office Equipment		27	32	32	3	3	3
Furniture and Office Equipment		27	32	32	3	3	3
Transport Assets		5,000	4,948	4,948	4,948	5,215	5,502
Transport Assets		5,000	4,948	4,948	4,948	5,215	5,502
Land		228	223	223	229	242	255
Land		228	223	223	229	242	255
Total Repairs and Maintenance Expenditure	1	71,325	235,255	235,255	60,102	75,515	79,421
<i>R&M as a % of PPE</i>		6.3%	22.1%	22.1%	5.1%	5.9%	5.8%
<i>R&M as % Operating Expenditure</i>		8.8%	27.5%	27.9%	6.8%	8.6%	8.7%

Table 49 MBRR SA34d – Depreciation by asset class

WC048 Knysna - Supporting Table SA34d Depreciation by asset class

Description R thousand	Ref 1	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Depreciation by Asset Class/Sub-class							
Infrastructure		21,774	21,774	21,774	25,078	25,433	24,871
Roads Infrastructure		4,740	4,740	4,740	5,200	5,072	4,774
<i>Roads</i>		4,740	4,740	4,740	5,200	5,072	4,774
Storm water Infrastructure		–	–	–	6	6	6
<i>Drainage Collection</i>		–	–	–	6	6	6
Electrical Infrastructure		5,026	5,026	5,026	6,117	6,582	6,552
<i>Power Plants</i>		–	–	–	440	441	440
<i>MV Networks</i>		8	8	8	3,586	3,643	3,632
<i>LV Networks</i>		5,018	5,018	5,018	2,091	2,498	2,480
Water Supply Infrastructure		7,921	7,921	7,921	9,247	9,267	9,177
<i>Reservoirs</i>		–	–	–	114	113	112
<i>Pump Stations</i>		–	–	–	124	124	122
<i>Water Treatment Works</i>		7,921	7,921	7,921	1,617	1,621	1,616
<i>Distribution</i>		–	–	–	7,392	7,409	7,327
Sanitation Infrastructure		3,680	3,680	3,680	4,508	4,506	4,362
<i>Waste Water Treatment Works</i>		3,680	3,680	3,680	4,508	4,506	4,362
Solid Waste Infrastructure		408	408	408	–	–	–
<i>Landfill Sites</i>		6	6	6			
<i>Waste Transfer Stations</i>		402	402	402			
Community Assets		282	282	282	261	265	258
Community Facilities		193	193	193	261	265	258
<i>Fire/Ambulance Stations</i>		147	147	147	261	265	258
<i>Museums</i>		7	7	7			
<i>Police</i>		38	38	38			
<i>Public Open Space</i>		2	2	2			
Sport and Recreation Facilities		89	89	89	–	–	–
<i>Outdoor Facilities</i>		89	89	89			
Other assets		3,425	3,425	3,425	1,570	1,652	1,647
Operational Buildings		1,607	1,607	1,607	1,570	1,652	1,647
<i>Municipal Offices</i>		1,235	1,235	1,235	1,570	1,652	1,647
<i>Workshops</i>		119	119	119			
<i>Stores</i>		2	2	2			
<i>Depots</i>		252	252	252			
Housing		1,818	1,818	1,818	–	–	–
<i>Staff Housing</i>		45	45	45			
<i>Social Housing</i>		1,774	1,774	1,774			
Intangible Assets		13	13	13	3	3	3
Servitudes		–	–	–			
Licences and Rights		13	13	13	3	3	3
<i>Computer Software and Applications</i>		13	13	13	3	3	3
Computer Equipment		1,349	1,349	1,349	1,045	1,042	900
Computer Equipment		1,349	1,349	1,349	1,045	1,042	900
Furniture and Office Equipment		853	853	853	653	598	574
Furniture and Office Equipment		853	853	853	653	598	574
Machinery and Equipment		461	461	461	1,419	1,199	1,098
Machinery and Equipment		461	461	461	1,419	1,199	1,098
Transport Assets		2,506	2,506	2,506	2,012	1,972	1,911
Transport Assets		2,506	2,506	2,506	2,012	1,972	1,911
Land		236	236	236	–	–	–
Land		236	236	236			
Total Depreciation	1	30,899	30,899	30,899	32,041	32,164	31,262

Table 50 MBRR SA34e - Capital expenditure on the upgrading of existing assets by asset class

WC048 Knysna - Supporting Table SA34e Capital expenditure on the upgrading of existing assets by asset class

Description	Ref	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1						
Capital expenditure on upgrading of existing assets by Asset Class/Sub-class							
Infrastructure		24,795	42,342	42,342	51,642	52,739	36,947
Roads Infrastructure		-	-	-	5,000	11,000	-
<i>Roads</i>		-	-	-	5,000	11,000	-
Storm water Infrastructure		-	500	500	500	750	750
<i>Storm water Conveyance</i>			500	500	500	750	750
Electrical Infrastructure		6,900	11,239	11,239	2,950	8,290	1,200
<i>MV Substations</i>		6,900	11,239	11,239	2,950	8,290	1,200
Water Supply Infrastructure		4,586	18,989	18,989	17,401	23,858	25,957
<i>Pump Stations</i>		2,534	12,724	12,724	2,392	8,392	8,392
<i>Bulk Mains</i>		-	-	-	11,994	10,784	14,765
<i>Distribution</i>		2,053	6,264	6,264	3,015	4,682	2,800
Sanitation Infrastructure		11,509	10,814	10,814	23,992	8,840	9,040
<i>Pump Station</i>		4,799	3,949	3,949	13,590	5,373	5,573
<i>Reticulation</i>		1,710	-	-	-	-	-
<i>Waste Water Treatment Works</i>		5,000	6,865	6,865	10,402	3,467	3,467
Solid Waste Infrastructure		800	800	800	800	-	-
<i>Waste Transfer Stations</i>		800	800	800	800	-	-
Coastal Infrastructure		1,000	-	-	1,000	-	-
<i>Revetments</i>		1,000	-	-	1,000	-	-
Community Assets		17,201	16,990	16,990	14,539	2,208	174
Community Facilities		17,201	15,747	15,747	13,339	100	174
<i>Halls</i>		8,772	7,935	7,935	10,435	-	-
<i>Testing Stations</i>		3,500	-	-	-	-	-
<i>Libraries</i>		3,509	5,742	5,742	2,904	-	-
<i>Cemeteries/Crematoria</i>		-	-	-	-	100	-
<i>Public Ablution Facilities</i>		1,420	2,070	2,070	-	-	-
Sport and Recreation Facilities		-	1,243	1,243	1,200	2,108	-
<i>Outdoor Facilities</i>			1,243	1,243	1,200	2,108	-
Other assets		400	280	280	1,000	-	-
Operational Buildings		400	280	280	1,000	-	-
<i>Municipal Offices</i>		400	280	280	1,000	-	-
Computer Equipment		-	1,200	1,200	1,150	-	-
Computer Equipment			1,200	1,200	1,150	-	-
Furniture and Office Equipment		-	7	7	-	-	-
Furniture and Office Equipment			7	7	-	-	-
Transport Assets		-	1,595	1,595	-	-	-
Transport Assets			1,595	1,595	-	-	-
Total Capital Expenditure on upgrading of existing a	1	42,396	62,413	62,413	68,331	54,946	37,121
<i>Upgrading of Existing Assets as % of total capex</i>		<i>30.8%</i>	<i>37.4%</i>	<i>37.4%</i>	<i>45.3%</i>	<i>44.1%</i>	<i>32.6%</i>
<i>Upgrading of Existing Assets as % of deprechn"</i>		<i>137.2%</i>	<i>202.0%</i>	<i>202.0%</i>	<i>213.3%</i>	<i>170.8%</i>	<i>118.7%</i>

Table 51 MBRR SA35 - Future financial implications of the capital budget

WC048 Knysna - Supporting Table SA35 Future financial implications of the capital budget

Vote Description R thousand	Ref	2018/19 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Present value
Capital expenditure	1							
Vote 1 - Executive & Council		-	-	-				
Vote 2 - Corporate Services		1,056	56	56				
Vote 3 - Financial Services		2,150	-	-				
Vote 4 - Strategic Services		-	-	-				
Vote 5 - Planning & Development		10,140	-	-				
Vote 6 - Community Services		21,041	8,059	1,574				
Vote 7 - Electrical Services		26,594	33,342	19,831				
Vote 8 - Technical Services		89,761	83,002	92,453				
Total Capital Expenditure		150,742	124,459	113,914	-	-	-	-
Net Financial Implications		150,742	124,459	113,914	-	-	-	-

Table 52 MBRR SA36 - Detailed capital budget per municipal vote

WC048 Knysna - Supporting Table SA36 D - Detailed capital budget								
R thousand						2018/19 Medium Term Revenue & Expenditure		
Function	Project Description	Type	Asset Class	Asset Sub-Class	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Parent municipality:								
<i>List all capital projects grouped by Function</i>								
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 1 - 283185200011	New	Roads Infrastructure	Road Structures	50	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 2 - 283185200012	New	Roads Infrastructure	Road Structures	401	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 3 - 283185200013	New	Roads Infrastructure	Capital Spares	255	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 4 - 283185200014	New	Roads Infrastructure	Road Structures	-	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 5 - 283185200015	New	Roads Infrastructure	Road Structures	350	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 6 - 283185200016	New	Roads Infrastructure	Road Structures	426	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 7 - 283185200017	New	Roads Infrastructure	Road Structures	116	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 8 - 283185200018	New	Roads Infrastructure	Road Structures	556	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 9 - 283185200019	New	Roads Infrastructure	Road Structures	-	-	-	-
Function>Road Transport>Core Function>Roads>	Roads Paving - Ward 10 - 283185200020	New	Roads Infrastructure	Road Structures	-	-	-	-
Function>Community and Social Services>Core Function>Community and Social Services>	Ward 11 Project	New	Community Facilities	Theatres	508	-	-	-
Function>Finance and Administration>Core Function>Administration>	Program Office Equipment - Whole of Municipality	New	Furniture and Office Equipment	Furniture and Office Equipment	15	-	-	-
Function>Finance and Administration>Core Function>Administration>	Program Office Furniture	New	Furniture and Office Equipment	Furniture and Office Equipment	50	-	-	-
Function>Community and Social Services>Core Function>Community and Social Services>	Upgrade of Municipal Buildings	Upgrading	Operational Buildings	Municipal Offices	-	1,000	-	-
Function>Finance and Administration>Core Function>Administration>	Program Office Furniture	New	Furniture and Office Equipment	Furniture and Office Equipment	10	-	-	-
Function>Community and Social Services>Core Function>Community and Social Services>	Cemetery Knysna	New	Community Facilities	Cemeteries/Crematoria	500	-	-	-
Function>Community and Social Services>Core Function>Community and Social Services>	Fencing at Cemetery	Upgrading	Community Facilities	Cemeteries/Crematoria	-	-	100	-
Function>Community and Social Services>Core Function>Community and Social Services>	MIG203387 MPC White Location	New	Community Facilities	Halls	1,336	3,512	1,751	-
Function>Community and Social Services>Core Function>Community and Social Services>	Northern Corridor (NDPG)	Upgrading	Community Facilities	Halls	7,815	10,435	-	-
Function>Community and Social Services>Core Function>Community and Social Services>	MIG183223 MPC Rhenendal own	Renewal	Community Facilities	Centres	-	-	-	-
Function>Housing>Non-core Function>Housing>	Tables and Chairs for Halls	New	Furniture and Office Equipment	Furniture and Office Equipment	-	100	-	-
Function>Community and Social Services>Core Function>Community and Social Services>	MIG183223:Rhenendal (Budget Maintenance)	Upgrading	Community Facilities	Centres	-	-	-	174
Function>Finance and Administration>Core Function>Administration>	Microphones and PA System	New	Furniture and Office Equipment	Furniture and Office Equipment	-	56	56	56
Function>Waste Water Management>Core Function>Public Utilities>	Upgr Taxi Rank Ablution Facility	Upgrading	Community Facilities	Public Ablution Facilities	2,070	-	-	-
Function>Waste Water Management>Core Function>Public Utilities>	Knysna Vision 2002 (Inf) (IHHS) - Ward 9 - 283185200019	New	Sanitation Infrastructure	Capital Spares	15,204	-	-	-
Function>Road Transport>Core Function>Roads>	GRANT WCPA Hornlee - 284884224062	New	Roads Infrastructure	Roads	15,744	-	-	-
Function>Energy Sources>Core Function>Electricity>	Bloemfontein	New	Electricity Infrastructure	LV Networks	1,034	-	-	-
Function>Road Transport>Core Function>Roads>	GRANT WCPA Qolweni - 284884224064	New	Roads Infrastructure	Roads	2,600	-	-	-
Function>Housing>Non-core Function>Housing>	GRANT WCPA Knysna Vision 2002: Damse	New	Housing	Social Housing	365	-	-	-
Function>Housing>Non-core Function>Housing>	Knysna Vision (1393) UISP	New	Housing	Social Housing	-	6,000	-	-
Function>Community and Social Services>Non-core Function>Community and Social Services>	Office Furniture Replacement	New	Furniture and Office Equipment	Furniture and Office Equipment	-	140	-	-
Function>Sport and Recreation>Core Function>Sports and Recreation>	Sedgefield ISSP (200)	New	Housing	Social Housing	-	4,000	-	-
Function>Housing>Non-core Function>Housing>	Sedgefield Planning Fees- Infrastructure	New	Housing	Social Housing	716	-	-	-
Function>Housing>Non-core Function>Housing>	Rhenendal Planning Fees- Infrastructure	New	Housing	Social Housing	80	-	-	-

Detailed capital budget per municipal vote (continued)

WC048 Knysna - Supporting Table SA36 D								
Capital budget								
R thousand								
Function	Project Description	Type	Asset Class	Asset Sub-Class	Current Year 2017/18 Full Year Forecast	2018/19 Medium Term Revenue & Expenditure		
						Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Function>Housing>Non-core Function>Housing>	High Mast lights (TRA)	Renewal	Housing	Social Housing	961	-	-	-
Function>Housing>Non-core Function>Housing>	Ethembeni	New	Housing	Social Housing	95	-	-	-
Function>Community and Social Services>Non-core Function>Community and Social Services>	Library Upgrade and Refurbishment-2851842	Upgrading	Community Facilities	Libraries	5,233	1,304	-	-
Function>Community and Social Services>Non-core Function>Community and Social Services>	Khayaletu Library	Upgrading	Community Facilities	Libraries	-	1,600	-	-
Function>Road Transport>Core Function>Roads>	Library vehicle - WCPA	New	Transport Assets	Transport Assets	411	-	-	-
Function>Road Transport>Non-core Function>Road and	One Stop Shop traffic	Renewal	Community Facilities	Testing Stations	448	-	-	-
Function>Road Transport>Non-core Function>Road and	Upgrade Vehicle Testing Station	Renewal	Community Facilities	Testing Stations	500	-	-	-
Function>Finance and Administration>Core Function>Ad	Program Air Conditioning - Whole of Municipa	New	Furniture and Office Equipment	Furniture and Office Equipmen	84	-	-	-
Function>Sport and Recreation>Core Function>Commun	Chipper	New	Transport Assets	Transport Assets	-	-	1,200	-
Function>Sport and Recreation>Core Function>Commun	Program Tools Equipment - Whole of Municip	New	Furniture and Office Equipment	Furniture and Office Equipmen	493	500	-	-
Function>Finance and Administration>Core Function>Ad	Program Office Furniture	New	Furniture and Office Equipment	Furniture and Office Equipmen	-	-	-	-
Function>Sport and Recreation>Core Function>Commun	Veh Repl: CX15016(Tractor)	New	Transport Assets	Transport Assets	-	-	700	-
Function>Sport and Recreation>Core Function>Commun	Repl Tractor-CX13741(Own-Cash)	New	Transport Assets	Transport Assets	-	-	700	-
Function>Sport and Recreation>Core Function>Commun	Repl Tractor-CX24232(Own-Cash)	New	Transport Assets	Transport Assets	-	-	700	-
Function>Sport and Recreation>Core Function>Recreati	Walkway Upgrade - 285385235066	Renewal	Coastal Infrastructure	Promenades	53	200	200	100
Function>Sport and Recreation>Core Function>Recreati	Walkway	Renewal	Coastal Infrastructure	Promenades	-	-	-	-
Function>Road Transport>Core Function>Roads>	Veh Repl: Nissan Cabstar UD20	New	Transport Assets	Transport Assets	450	-	-	-
Function>Road Transport>Core Function>Roads>	Veh Repl: COLT 2.8D	New	Transport Assets	Transport Assets	220	-	-	-
Function>Road Transport>Core Function>Roads>	Veh Repl: TOYOTA HILUX 2000	New	Transport Assets	Transport Assets	220	-	-	-
Function>Sport and Recreation>Core Function>Recreati	Upgrading of Existing Play parks	Upgrading	Sport and Recreation Facilities	Outdoor Facilities	-	200	300	-
Function>Road Transport>Core Function>Police Forces	Vehicle Replacement CX45107 - Tractor	New	Transport Assets	Transport Assets	-	-	-	700
Function>Road Transport>Core Function>Roads>	Reconstruct Pump cab&chassis w/subframe	Renewal	Transport Assets	Transport Assets	-	-	-	-
Function>Public Safety>Core Function>Fire Fighting and	Fire Vehicle WCPA	New	Transport Assets	Transport Assets	1,053	-	-	-
Function>Public Safety>Core Function>Fire Fighting and	Fire Vehicle WCPA	New	Transport Assets	Transport Assets	203	-	-	-
Function>Sport and Recreation>Core Function>Sports G	Lifeguard Towers	New	Sport and Recreation Facilities	Outdoor Facilities	-	600	-	-
Function>Waste Management>Core Function>Solid Was	Replacement portable radios	New	Machinery and Equipment	Machinery and Equipment	50	60	-	-
Function>Community and Social Services>Non-core Fun	Hornlee Sportfield - Construction Clubhouse	Upgrading	Sport and Recreation Facilities	Outdoor Facilities	1,000	1,000	-	-
Function>Sport and Recreation>Core Function>Recreati	Bongani Upgr Sportsfield	Renewal	Sport and Recreation Facilities	Outdoor Facilities	599	-	-	-
Function>Sport and Recreation>Core Function>Sports G	Bongani - Upgrade existing sportsfield - Ward	Upgrading	Sport and Recreation Facilities	Sportsfields & stadia	243	-	-	-
Function>Community and Social Services>Core Functi	MIG MPCs (Own funding)	Upgrading	Community Facilities	Halls	120	-	-	-
Function>Waste Management>Core Function>Solid Was	MIG: Upgrade Sports Facilities & Fields Great	Upgrading	Sport and Recreation Facilities	Outdoor Facilities	-	-	1,808	-
Function>Sport and Recreation>Core Function>Recreati	CBD Netball field	New	Sport and Recreation Facilities	Outdoor Facilities	-	-	-	-
Function>Finance and Administration>Core Function>Ad	Program Office Furniture - Whole of Municipa	New	Furniture and Office Equipment	niture and other office equipm	53	-	-	-
Function>Road Transport>Core Function>Roads>	Veh Repl Motorbike: CX23506 - Whole of Mur	New	Transport Assets	Transport Assets	61	-	-	-
Function>Road Transport>Core Function>Roads>	Veh Repl Motorbike: CX45048 - Whole of Mur	New	Transport Assets	Transport Assets	33	-	-	-

Detailed capital budget per municipal vote (continued)

WC048 Knysna - Supporting Table SA36 D								
Capital budget								
R thousand						2018/19 Medium Term Revenue & Expenditure		
Function	Project Description	Type	Asset Class	Asset Sub-Class	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Function>Finance and Administration>Core Function>Pr	Storage SAN for production and DR environm	Renewal	Operational Buildings	Municipal Offices	508	-	-	-
Function>Finance and Administration>Core Function>Inf	Wireless networking upgrade and expansion	Upgrading	Computer Equipment	Computer Equipment	290	150	-	-
Function>Finance and Administration>Core Function>Inf	CCTV Cameras	Renewal	Computer Equipment	Computer Equipment	-	-	-	-
Function>Finance and Administration>Core Function>Inf	CCTV Cameras	Renewal	Computer Equipment	Computer Equipment	-	-	-	-
Function>Finance and Administration>Core Function>Inf	CCTV Cameras	Renewal	Computer Equipment	Computer Equipment	-	-	-	-
Function>Finance and Administration>Core Function>Inf	Fibre networking requirements	Renewal	Computer Equipment	Computer Equipment	25	-	-	-
Function>Finance and Administration>Core Function>Pr	Building Contractor	Upgrading	Operational Buildings	Municipal Offices	-	-	-	-
Function>Finance and Administration>Core Function>Inf	Program Computer Equipment - Whole of Mu	New	Computer Equipment	Computer Equipment	35	-	-	-
Function>Finance and Administration>Core Function>Inf	Program Computer Equipment	Renewal	Computer Equipment	Computer Equipment	27	-	-	-
Function>Finance and Administration>Core Function>Inf	Program Computer Equipment	Renewal	Computer Equipment	Computer Equipment	-	-	-	-
Function>Finance and Administration>Core Function>Inf	Program Computer Equipment	New	Computer Equipment	Computer Equipment	473	400	-	-
Function>Finance and Administration>Core Function>Inf	Program Computer Equipment	New	Computer Equipment	Computer Equipment	540	600	-	-
Function>Finance and Administration>Core Function>Inf	Program Tools and Equipment	Renewal	Computer Equipment	Computer Equipment	2	-	-	-
Function>Finance and Administration>Core Function>Ad	Program Office Furniture	New	Furniture and Office Equipment	Furniture and Office Equipment	-	-	-	-
Function>Finance and Administration>Core Function>Inf	Datacentre Server and WAN backbone upgra	Upgrading	Computer Equipment	Computer Equipment	910	1,000	-	-
Function>Finance and Administration>Core Function>Pr	Access Control Cashiers -Sedgefield	Upgrading	Operational Buildings	Municipal Offices	280	-	-	-
Function>Road Transport>Core Function>Roads>	Repl Refuse Truck-CX17319(Ln) - Whole of M	New	Transport Assets	Transport Assets	2,200	-	-	-
Function>Waste Management>Core Function>Solid Was	Purchase of Wheelie bins - Ward 9 - 2872802	New	Solid Waste Infrastructure	Capital Spares	400	600	600	600
Function>Road Transport>Core Function>Roads>	Veh Repl: Nissan 2.0 Hardbody	New	Transport Assets	Transport Assets	-	-	-	-
Function>Road Transport>Core Function>Roads>	Veh Repl: VOLKSWAGEN CADDY	New	Transport Assets	Transport Assets	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Skips	New	Solid Waste Infrastructure	Waste Drop-off Points	-	130	-	-
Function>Energy Sources>Core Function>Electricity >	Machinery and Equipment Upgr	Upgrading	Solid Waste Infrastructure	Waste Transfer Stations	800	800	-	-
Function>Road Transport>Core Function>Roads>	Vehicle Replacements	New	Transport Assets	Transport Assets	2,300	-	-	-
Function>Energy Sources>Core Function>Electricity >	Upgr Workshop S/S	Upgrading	Electrical Infrastructure	MV Substations	-	-	7,460	-
Function>Energy Sources>Core Function>Electricity >	Upgr Workshop S/S	Upgrading	Electrical Infrastructure	MV Substations	1,886	-	-	-
Function>Energy Sources>Core Function>Electricity >	Sedge Island LV Cables	New	Electrical Infrastructure	Capital Spares	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Eastford ss 11kv s/station bui	Renewal	Electrical Infrastructure	MV Substations	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Cables main intake and cemeter	Renewal	Electrical Infrastructure	Capital Spares	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Switchgear Eastford S/S	Renewal	Electrical Infrastructure	MV Switching Stations	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	NCA: PPE: Owned Revaluation: Buildings: A	Renewal	Electrical Infrastructure	Capital Spares	3,800	-	-	-

Detailed capital budget per municipal vote (continued)

WC048 Knysna - Supporting Table SA36 D								
led capital budget								
R thousand						2018/19 Medium Term Revenue & Expenditure		
Function	Project Description	Type	Asset Class	Asset Sub-Class	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Function>Energy Sources>Core Function>Electricity >	NCA: PPE: Owned Revaluation: Buildings: A	Upgrading	Electrical Infrastructure	MV Substations	5,401	-	-	-
Function>Energy Sources>Core Function>Electricity >	Sedgef East S/S Build Upgr - Ward 2 - 28768	Upgrading	Electrical Infrastructure	MV Substations	1,550	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrical Contractor	Renewal	Electrical Infrastructure	MV Switching Stations	955	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrical Contractor	New	Electrical Infrastructure	Capital Spares	1,722	-	-	-
Function>Energy Sources>Core Function>Electricity >	Eastford Substaion - Phase 2	Upgrading	Electrical Infrastructure	MV Substations	2,403	2,950	830	1,200
Function>Energy Sources>Core Function>Electricity >	Asset replacements & refurbishments - Whol	Renewal	Electrical Infrastructure	Capital Spares	2,972	2,000	3,000	-
Function>Energy Sources>Core Function>Electricity >	Unforseen Fire Disaster 2017	Renewal	Electrical Infrastructure	Capital Spares	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Brenton - Upgrade of power supply	New	Electrical Infrastructure	MV Substations	-	800	1,200	3,200
Function>Energy Sources>Core Function>Electricity >	Industrial area - Upgrade of network and cabl	New	Electrical Infrastructure	LV Networks	-	340	-	-
Function>Energy Sources>Core Function>Electricity >	Sedgefield - Replacement of o/h lines with ur	New	Electrical Infrastructure	Capital Spares	-	500	400	-
Function>Energy Sources>Core Function>Electricity >	Hornlee / Oupad power upgrade	New	Electrical Infrastructure	MV Switching Stations	-	3,000	2,000	2,000
Function>Energy Sources>Core Function>Electricity >	Electrification Informal Settlement	New	Electrical Infrastructure	LV Networks	-	3,000	2,000	2,000
Function>Energy Sources>Core Function>Electricity >	Electrification Qoolweni	New	Electrical Infrastructure	LV Networks	649	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrification Bloemfontein	New	Electrical Infrastructure	LV Networks	954	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrification - housing (INEP)	New	Electrical Infrastructure	LV Networks	-	6,087	7,235	2,783
Function>Energy Sources>Core Function>Electricity >	Grant - National Government (EEDSMG)	New	Electrical Infrastructure	LV Networks	-	5,217	5,217	4,348
Function>Energy Sources>Core Function>Electricity >	Ethembeni (Phase2)	New	Electrical Infrastructure	LV Networks	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Happy Rest - Phase 2 (INEP) - 28768427906	New	Electrical Infrastructure	LV Networks	402	-	-	-
Function>Energy Sources>Core Function>Electricity >	Hlalani (Infill 1)	New	Electrical Infrastructure	LV Networks	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Gaaitjie (Phase 2)	New	Electrical Infrastructure	LV Networks	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Oupad- Phase 4	New	Electrical Infrastructure	LV Networks	627	-	-	-
Function>Energy Sources>Core Function>Electricity >	Nekkies East (Phase 3)	New	Electrical Infrastructure	LV Networks	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Dam se bos South (Phase 3)	Renewal	Electrical Infrastructure	LV Networks	-	-	-	-
Function>Energy Sources>Core Function>Electricity >	Radios Analogue to Digital Conversion (Whol	Renewal	Electrical Infrastructure	Capital Spares	1,000	-	-	-
Function>Road Transport>Core Function>Roads>	Vehicle Replacements	New	Transport Assets	Transport Assets	220	-	-	-
Function>Road Transport>Core Function>Roads>	Vehicle Replacements	New	Transport Assets	Transport Assets	800	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrical Contractor	New	Electrical Infrastructure	LV Networks	2,000	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrification of informal areas	New	Electrical Infrastructure	LV Networks	200	-	-	-
Function>Energy Sources>Core Function>Electricity >	Electrification of informal areas	New	Electrical Infrastructure	LV Networks	500	-	-	-
Function>Energy Sources>Core Function>Electricity >	Prepaid Conversion	Renewal	Electrical Infrastructure	Capital Spares	350	2,000	3,000	4,300
Function>Finance and Administration>Core Function>Ad	Program Small Plant - Whole of Municipality	New	Furniture and Office Equipment	Furniture and Office Equipmen	10	-	-	-
Function>Planning and Development>Core Function>To	SCADA Update	New	Machinery and Equipment	Machinery and Equipment	10	700	-	-
Function>Waste Water Management>Core Function>Sto	Vehicle Replacement (NEW) - 8Ton truck	New	Transport Assets	Transport Assets	-	-	1,000	-
Function>Community and Social Services>Non-core Fu	Program Office Furnitue	New	Furniture and Office Equipment	Furniture and Office Equipmen	50	-	-	-
Function>Finance and Administration>Core Function>Ad	Program Office Furniture	New	Furniture and Office Equipment	Furniture and Office Equipmen	-	-	-	-

Detailed capital budget per municipal vote (continued)

WC048 Knysna - Supporting Table SA36 D	Capital budget								
R thousand						2018/19 Medium Term Revenue & Expenditure			
Function	Project Description	Type	Asset Class	Asset Sub-Class	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
Function>Waste Water Management>Core Function>Stormwater Management	Program Tools Equipment - Whole of Municipality	New	Machinery and Equipment	Machinery and Equipment	241	250	-	-	
Function>Finance and Administration>Core Function>Administration	Program Office Furniture	Upgrading	Furniture and Office Equipment	Furniture and Office Equipment	7	-	-	-	
Function>Waste Water Management>Core Function>Stormwater Management	Upgrade Stormwater Infrastructure	Upgrading	Storm water Infrastructure	Drainage Collection	-	-	-	-	
Function>Waste Water Management>Core Function>Stormwater Management	General improvements to stormwater system	Renewal	Storm water Infrastructure	Drainage Collection	-	-	-	-	
Function>Road Transport>Core Function>Roads>	DPIP1415/09:Rehab CBD Stormwater system	New	Storm water Infrastructure	Drainage Collection	-	-	3,913	1,304	
Function>Finance and Administration>Core Function>Administration	Jetting Machines	New	Furniture and Office Equipment	Furniture and Office Equipment	314	-	-	-	
Function>Finance and Administration>Core Function>Administration	Jetting Machines	New	Furniture and Office Equipment	Furniture and Office Equipment	-	-	-	-	
Function>Road Transport>Core Function>Roads>	Upgrade Stormwater Infrastructure	Upgrading	Storm water Infrastructure	Drainage Collection	500	500	750	750	
Function>Waste Water Management>Core Function>Stormwater Management	General improvements to stormwater system	New	Storm water Infrastructure	Drainage Collection	90	-	-	-	
Function>Road Transport>Core Function>Roads>	New Vehicle : Grader (Ln) - Whole of Municipality	Upgrading	Transport Assets	Transport Assets	1,595	-	-	-	
Function>Road Transport>Core Function>Roads>	Upgrade Gray Street	New	Infrastructure - Road transport	Roads	840	-	-	-	
Function>Road Transport>Core Function>Roads>	MIG164160 H/lee:Karatara:R/dal:S/ville side	New	Roads Infrastructure	Road Structures	-	-	-	100	
Function>Road Transport>Core Function>Roads>	MIG195749 N/Areas Pavements Sidewalks	New	Roads Infrastructure	Road Structures	353	-	-	104	
Function>Road Transport>Core Function>Roads>	New Vehicle : Grader - Whole of Municipality	New	Transport Assets	Transport Assets	456	-	-	-	
Function>Road Transport>Core Function>Roads>	Upgrade Gray Street	Upgrading	Infrastructure - Road transport	Roads	-	-	-	-	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Protea Str)	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Neddicky, Bosbou)	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Ward 3)	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Thula, Sputumani, Fle	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Murray, Pine, Watson	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Ward 7)	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Barley Setosho, Toni	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	Surface Gravel Roads (Ward 2)	Renewal	Roads Infrastructure	Roads	140	2,200	1,260	1,260	
Function>Road Transport>Core Function>Roads>	New Guardrails	New	Roads Infrastructure	Roads	-	500	500	500	
Function>Road Transport>Core Function>Roads>	PMU/Professional Fees	Renewal	Roads Infrastructure	Road Structures	400	-	-	-	
Function>Road Transport>Core Function>Roads>	Access Road to Concordia PS 3	New	Roads Infrastructure	Roads	-	-	-	-	
Function>Road Transport>Core Function>Roads>	George Rex Paving Cycle Route	New	Roads Infrastructure	Roads	279	-	-	-	
Function>Road Transport>Core Function>Roads>	Leisure Isle Sea Wall upgrade	Upgrading	Coastal Infrastructure	Revetments	-	1,000	-	-	
Function>Road Transport>Core Function>Roads>	Veh Repl: CX9186(UD70 Truck)	New	Transport Assets	Transport Assets	-	-	1,500	-	
Function>Road Transport>Core Function>Roads>	Veh Repl - CX1741(Own-Loan)	New	Transport Assets	Transport Assets	-	-	-	1,000	
Function>Road Transport>Core Function>Roads>	Vehicle Replacement CX12819	New	Transport Assets	Transport Assets	-	-	-	850	
Function>Road Transport>Core Function>Roads>	Vehicle Replacement CX4990	New	Transport Assets	Transport Assets	-	-	250	-	
Function>Road Transport>Core Function>Roads>	Vehicle Replacement CX44804	New	Transport Assets	Transport Assets	-	-	-	250	
Function>Waste Water Management>Core Function>Waste Water Management	Vehicle Replacement CX27876 - Trailer	New	Transport Assets	Transport Assets	-	-	-	50	
Function>Waste Water Management>Core Function>Waste Water Management	Vehicle Replacement - Bomag roller	New	Transport Assets	Transport Assets	-	-	-	150	
Function>Waste Water Management>Core Function>Waste Water Management	Ward2 Rehab of Sedgfield WWTW - 288980	Renewal	Sanitation Infrastructure	Waste Water Treatment Work	3,800	-	-	-	
Function>Waste Water Management>Core Function>Waste Water Management	CX WWTW Screw press	Renewal	Sanitation Infrastructure	Waste Water Treatment Work	488	-	-	-	
Function>Waste Water Management>Core Function>Sewerage	MIG221955 Upgr CBD Sewer & Pump Station	Upgrading	Sanitation Infrastructure	Pump Station	1,010	-	4,173	4,173	
Function>Waste Water Management>Core Function>Sewerage	MIG221955 Upgr CBD Sewer & Pump Station	Upgrading	Sanitation Infrastructure	Pump Station	462	-	-	-	
Function>Waste Water Management>Core Function>Sewerage	MIG221955 Upgr CBD Sewer & Pump Station	Upgrading	Sanitation Infrastructure	Pump Station	-	1,487	-	-	

Detailed capital budget per municipal vote (continued)

WC048 Knysna - Supporting Table SA36 D	led capital budget								
R thousand									
Function	Project Description	Type	Asset Class	Asset Sub-Class	Current Year 2017/18 Full Year Forecast	2018/19 Medium Term Revenue & Expenditure Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	
Function>Waste Water Management>Core Function>Wa	Sedgefield WWTW	Upgrading	Sanitation Infrastructure	Waste Water Treatment Work	1,365	-	-	-	
Function>Waste Water Management>Core Function>Wa	Upgrade Knysna Waste Water Treatment Wo	Upgrading	Sanitation Infrastructure	Waste Water Treatment Work	5,500	10,402	3,467	3,467	
Function>Waste Water Management>Core Function>Sev	Veh Repl: CX3779 LDV	New	Transport Assets	Transport Assets	-	-	-	250	
Function>Waste Water Management>Core Function>Sev	Hornlee infill scheme sewer p/station	Upgrading	Sanitation Infrastructure	Pump Station	1,010	3,757	-	-	
Function>Waste Water Management>Core Function>Sev	Upgrade main sewer p/station and sewers	Upgrading	Sanitation Infrastructure	Pump Station	1,439	7,346	-	-	
Function>Waste Water Management>Core Function>Sev	Oolweni Sewer PS	New	Sanitation Infrastructure	Pump Station	-	2,000	-	-	
Function>Waste Water Management>Core Function>Sev	Vehicle Replacement CX33578	New	Transport Assets	Transport Assets	-	-	850	-	
Function>Waste Water Management>Core Function>Sev	T10 Gorman Rupp pump Main Sewer P/S	Upgrading	Sanitation Infrastructure	Pump Station	-	1,000	1,200	1,400	
Function>Waste Water Management>Core Function>Sev	Upgrade Knysna quays2 pumpstation	Upgrading	Sanitation Infrastructure	Pump Station	28	-	-	-	
Function>Waste Water Management>Core Function>Sev	Belvedere Lagoon PS MCC	Renewal	Sanitation Infrastructure	Capital Spares	-	-	1,000	1,200	
Function>Waste Water Management>Core Function>Put	Construction of public Toilets	New	Community Facilities	Public Ablution Facilities	1,000	-	-	-	
Function>Water Management>Core Function>Water Dist	Water Augmentation Schemes: Desal Plant	New	Water Supply Infrastructure	Pump Stations	-	-	4,000	14,000	
Function>Water Management>Core Function>Water Dist	MIG196405(Ln): Charlesford P/Sc	Upgrading	Water Supply Infrastructure	Pump Stations	3,445	-	-	-	
Function>Water Management>Core Function>Water Dist	MIG196403 Knysna River Dam	New	Water Supply Infrastructure	Dams and Weirs	-	-	-	-	
Function>Water Management>Core Function>Water Dist	MIG196405 Charlesford P/Scheme - Ward 5	Renewal	Water Supply Infrastructure	Pump Stations	14,066	11,432	5,860	12,447	
Function>Water Management>Core Function>Water Dist	MIG203923(Ln): N&NE Bulk Water Ph	Upgrading	Water Supply Infrastructure	Bulk Mains	-	-	-	3,170	
Function>Water Management>Core Function>Water Dist	Inst Flow meters-All w/tr p/stations	New	Water Supply Infrastructure	Pump Stations	-	500	500	500	
Function>Water Management>Core Function>Water Dist	Hornlee water infill scheme	Renewal	Water Supply Infrastructure	Distribution	533	1,700	2,057	-	
Function>Water Management>Core Function>Water Dist	Upgr Hornlee Water reticulation system	Upgrading	Water Supply Infrastructure	Distribution	1,053	1,415	2,582	-	
Function>Water Management>Core Function>Water Dist	Upgr Wlr Retic - PPP (Heads Reticulation)	Upgrading	Water Supply Infrastructure	Distribution	5,212	1,600	2,100	2,800	
Function>Water Management>Core Function>Water Dist	Upgr pumping scheme Charlesford	Upgrading	Water Supply Infrastructure	Pump Stations	2,534	2,392	8,392	8,392	
Function>Water Management>Core Function>Water Dist	Vehicle Replacement CX44803	New	Transport Assets	Transport Assets	-	-	-	250	
Function>Water Management>Core Function>Water Dist	Charlesford Bulk Raw Water Supply Phase 3	Upgrading	Water Supply Infrastructure	Bulk Mains	-	6,994	10,784	11,595	
Function>Road Transport>Core Function>Roads>	Grey Street Roads	Upgrading	Roads Infrastructure	Roads	-	5,000	11,000	-	
Function>Water Management>Core Function>Water Dist	Grey Street Pipe Replacement	Renewal	Water Supply Infrastructure	Bulk Mains	-	1,000	-	-	
Function>Water Management>Core Function>Water Dist	CBD Pipe Replacement	Upgrading	Water Supply Infrastructure	Bulk Mains	-	5,000	-	-	
Function>Water Management>Core Function>Water Dist	MIG N NE Bulk Water Supply Phase 2C	Renewal	Water Supply Infrastructure	Distribution Points	3,947	3,886	3,043	3,170	
Function>Water Management>Core Function>Water Dist	Bulk Water Supply Augmentation	Renewal	Water Supply Infrastructure	Water Treatment Works	-	-	-	-	
Function>Water Management>Core Function>Water Dist	Springs at Bongani	New	Water Supply Infrastructure	Boreholes	735	-	-	-	
Function>Water Management>Core Function>Water Dist	Sedgefield Reservoir Borehole Pump	New	Water Supply Infrastructure	Boreholes	915	-	-	-	
Function>Water Management>Core Function>Water Dist	Makhulu Quarry De-watering	New	Water Supply Infrastructure	Boreholes	586	-	-	-	
Function>Water Management>Core Function>Water Dist	Upgrading of Gouna pipeline - Ward 10 - 289	Upgrading	Water Supply Infrastructure	Pump Stations	65	-	-	-	
Function>Water Management>Core Function>Water Dist	Upgr pumping scheme charlsford to dam	Upgrading	Water Supply Infrastructure	Pump Stations	6,645	-	-	-	
Function>Water Management>Core Function>Water Dist	Civil Contractor	Upgrading	Water Supply Infrastructure	Pump Stations	-	-	-	-	
Function>Water Management>Core Function>Water Dist	Tootle town mono pump	Upgrading	Water Supply Infrastructure	Pump Stations	35	-	-	-	
Function>Water Management>Core Function>Water Dist	New Machinery and Equipment	New	Water Supply Infrastructure	Capital Spares	3,102	3,000	5,000	3,000	
Function>Energy Sources>Core Function>Electricity >	Electrification Oupad	New	Electrical Infrastructure	LV Networks	38	-	-	-	
Function>Energy Sources>Core Function>Electricity >	Electrification Bloemfontein	New	Electrical Infrastructure	LV Networks	38	-	-	-	
Function>Energy Sources>Core Function>Electricity >	Electrification Happy Rest	New	Electrical Infrastructure	LV Networks	38	-	-	-	
Function>Energy Sources>Core Function>Electricity >	Electrification Oolweni	New	Electrical Infrastructure	LV Networks	38	-	-	-	
Function>Water Management>Core Function>Water Dist	WCPA - Grant (Mun drought capacity suppor	New	Water Supply Infrastructure	Capital Spares	877	-	-	-	
Function>Community and Social Services>Non-core Fu	Rhudolf Balie : Modular Library	Upgrading	Community Facilities	Libraries	509	-	-	-	
Function>Waste Water Management>Core Function>Wa	Ward 9 Rehab of Brenton on Lake WWTW	Renewal	Sanitation Infrastructure	Waste Water Treatment Works	-	-	-	7,500	
Parent Capital expenditure					166,739	150,742	124,459	113,914	
Total Capital expenditure					166,739	150,742	124,459	113,914	

Table 53 MBRR SA37 - Projects delayed from previous financial year

WC048 Knysna - Supporting Table SA37 Projects delayed from previous financial year/s

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Current Year 2017/18		2018/19 Medium Term Revenue & Expenditure Framework		
				Original Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand								
Parent municipality:								
<i>List all capital projects grouped by Municipal Vote</i>								
		Upgrade Gray Street	9/110-35-46 6	6,000	840	18,000		
		Surface gravel roads	9/110-28-39	8,400	980	17,600		
		Upgrade Vehicle Testing Station	9/101-27-28	3,500		6,000		
		Cemetery Knysna	9/124-3-3	1,500	500			
		Library Upgrade and Refurbishment	9/151-3-3	3,509	5,233	8,233		
		Construction of Public Toilets	9/109-5-5	1,000				

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format is being fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) is being fully complied with and includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and is currently in the process of appointing five interns.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The final draft SDBIP document will be tabled in council in June 2018 and is aligned and informs the 2018/19 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

All budget related policies have been reviewed and will be tabled with the final draft budget on 30 May 2018.

Municipal manager's quality certificate

I Kam Chetty Municipal Manager of Knysna Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: **K. Chetty**

Municipal Manager of Knysna Municipality (WC048)

Signature: _____

Date 06 June 2018

A handwritten signature in black ink, appearing to read 'K. Chetty', is written over a horizontal line. The signature is stylized with a large initial 'K' and a long, sweeping horizontal stroke at the end.